

STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE
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INDIANA GOVERNMENT CENTER NORTH
100 NORTH SENATE AVENUE N1058 (B)
INDIANAPOLIS, IN 46204

November 20, 2007

Carol McDaniel
LaPorte County Assessor
555 Michigan Avenue, Suite 204
LaPorte, Indiana 46350

Dear Ms. McDaniel,

This is a follow-up to the telephone conversation we had on November 7, 2007. Present during the telephone conference were you, LaPorte County Attorney Shaw Friedman, LaPorte County Auditor Teresa Shuter, and LaPorte County Treasurer Ken Layton. I want to make sure all parties involved in that telephone conference are in complete agreement as to the contents of that conversation. A recent newspaper article published on November 14, 2007 in the Michigan City News Dispatch had led me to believe there is apparently a misunderstanding of what was said and discussed during our telephone conversation. The newspaper article states that you said "an effort by Long Beach homeowner Bill Wendt to have the state delay approval of 2007 property tax rates and conduct a new assessment has been rejected by the DLGF." That is an inaccurate statement and does not fairly summarize the telephone conversation from November 7, 2007.

The intent of this letter is to accurately summarize the substance of the November 7, 2007 telephone conference call to avoid any future misinterpretation of what was discussed. First, the Department of Local Government Finance (the "Department") is currently reviewing the Denne ratio study, which was provided to the Department on October 19, 2007 by LaPorte County property owner Bill Wendt, analyst Bob Denne, and Mr. Wendt's Indianapolis attorney, Tom Atherton. The Denne study was provided to you via email on November 7, 2007. During the telephone call, I issued to the county an opportunity to review and refute the study. I set an initial deadline of December 7, 2007, which was then changed at the request of county officials to December 8, 2007.

However, after some thought and recognition that December 8 is a Saturday, I hereby extend the county's deadline to submit their response to the Department of the Denne ratio study by close of business on Monday, December 10.

Second, the Department approved LaPorte County's 2007 budget order on November 7, 2007. However, a reassessment order from the Department remains a possibility. Whether a reassessment order will be issued depends upon what the Department's analysis of the Denne study indicates, and what LaPorte County submits to the Department by the close of business on Monday, December 10, 2007.

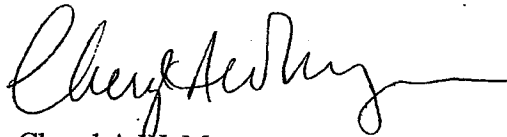
The Honorable Carol McDaniel
November 20, 2007
Page 2 of 2

I want all LaPorte County officials to be aware that if an order to reassess all real property is issued in LaPorte County for the March 1, 2006 assessment date, the 2007 certified tax rates, the 2006-pay-2007 assessed valuations, and 2006-pay-2007 tax bills would have to be voided.

The following information was not covered during the telephone conversation on November 7, 2007; however, it is important and must be raised in this letter. In order to ensure fair, just, and accurate assessments in LaPorte County, the County, the Department, and Mr. Wendt must analyze and review the exact same data. Thus, the Department will need access to the data used by the County to create its rebuttal to Mr. Denne's ratio study. We will also be requesting the data Mr. Wendt used for the Denne ratio study.

If you feel the above information failed to capture any portion of our conversation, or mischaracterized anything that was discussed, please feel free to contact the Department's General Counsel, Timothy J. Rushenberg, at (317) 233-6770.

Sincerely,

A handwritten signature in cursive script, appearing to read "Cheryl A. W. Musgrave", with a long horizontal flourish extending to the right.

Cheryl A. W. Musgrave
Commissioner

cc: Tom Atherton
Shaw Friedman

Rushenberg, Tim

From: Shaw Friedman [sfriedman.associates@verizon.net]
Sent: Friday, November 23, 2007 6:14 PM
To: Rushenberg, Tim; McDaniel, Carol L
Cc: Atherton, Thomas; klayton@LaPorteCounty.org; Shuter, Teresa
Subject: Re: Follow-up letter to Ms. McDaniel from DLGF

November 23, 2007

Via electronic transmission only

Mr. Timothy J. Rushenberg, Esq.
General Counsel
Indiana Department of Local Government Finance
Indiana Government Center North
100 N. Senate Avenue N1058
Indianapolis, IN 46204

Re: Response of LaPorte County Assessor Carol McDaniel to correspondence
from DLGF Commissioner Cheryl Musgrave of November 20, 2007

Dear Mr. Rushenberg,

I have been asked by LaPorte County Assessor Carol McDaniel to respond to Ms. Musgrave's letter of November 20, 2007.

As I indicated when we spoke on November 15, Ms. McDaniel felt it was important to issue a press release to reassure taxing units that LaPorte County's budget order had been approved and that the state had authorized tax rates. I would note that even the DLGF's own website makes clear that our reassessment status as of October 3, 2007 was that we had "passed review" and were "released" and your certification status map indicates a "full budget order" had issued for LaPorte County as of November 19, 2007.

I am deeply troubled that a single, well-funded taxpayer, utilizing Indianapolis counsel, came dangerously close to derailing a process that had been in place for many months where the duly elected officials of our county were working mightily to comply with state requirements. When I was summoned with no advance notice to a conference call on November 7, 2007 with your office and the Commissioner, it appears that our County Treasurer Ken Layton had been informed for the first time that morning that the Commissioner was very close to ordering a new countywide reassessment based purely on the latest privately-commissioned Denne study which had been presented to the department on October 22, 2007.

If we are trying to re-cap the November 7, 2007 conference call, let us be clear that I cited my vigorous objections to what I viewed as an end-around normal and customary processes that was permitted Mr. Wendt and his attorney. It now appears from Mr. Atherton's October 29, 2007 correspondence that the DLGF met *ex parte* with Mr. Wendt, Attorney Atherton and Mr. Denne during the prior week (October 22). LaPorte County was given no advance notice of such meeting nor was an opportunity given to attend or rebut information supplied.

Indeed, by supplying Mr. Wendt and his representatives with this *ex parte* meeting, the DLGF permitted them to circumvent any notion of fairness and due process. I should note that shortly after the November 7, 2007 phone conference, representatives of the Nexus Group, LaPorte County's consultants, called your offices seeking a meeting with Ms. Musgrave to discuss this matter but were told that the Commissioner would not meet with Nexus without Mr. Wendt and his representatives present.

I would hope that Ms. Musgrave would not meet again with Mr. Wendt or any of his representatives

11/26/2007

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without representatives of LaPorte County being present. As I indicated in our phone conversation of November 15, 2007, Mr. Wendt has repeatedly made untrue and unwarranted accusations against the LaPorte County Assessor and Michigan Township Assessor challenging their competence and official actions. He has brought an Open Records lawsuit (*Dalia Wendt and William Wendt v. Carol McDaniel, Assessor*, Cause No. 46D01-0703-MI-032, LaPorte Superior Court No. 1) in which there have been no court findings rendered against the Assessor that records were improperly withheld or not disclosed. Indeed, Judge Kathleen Lang forced Mr. Wendt to narrow and better define his voluminous requests for documents and the Assessor was provided an opportunity to supply such information, which she has done.

As I made very clear in our conference call of November 7, 2007, we believe the latest Denne study is as flawed as that submitted last spring which the DLGF rejected at the time. Mr. Wendt had apparently hoped at the time to block approval of our county's sales ratio study and he was unsuccessful in doing so.

We fully intend to comply with Ms. Musgrave's directive that a detailed and full response to Mr. Denne's latest report be submitted to the DLGF by December 10. We hope that the *ex parte* conference conducted with Mr. Wendt, his attorney and expert is not permitted to unfairly sway or taint the decisionmaking process of the department.

We appreciate the opportunity to respond and we have every hope that the ultimate review process will be fair, free of previously conceived notions and based on existing Indiana law.

Very truly yours,

/s/

Shaw R. Friedman, Esq.
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LaPorte, IN 46350
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e-mail: sfriedman.associates@verizon.net
Counsel for LaPorte County, Indiana

cc: Ms. Carol McDaniel, LaPorte County Assessor
Mr. Kenneth Layton, LaPorte County Treasurer
Ms. Teresa Shuter, LaPorte County Auditor
Mr. Thomas Atherton, attorney for Wm. Wendt

----- Original Message -----

From: Rushenberg, Tim
To: McDaniel, Carol L
Cc: Atherton, Thomas ; Shaw Friedman
Sent: Wednesday, November 21, 2007 7:20 AM
Subject: Follow-up letter to Ms. McDaniel from DLGF

Ms. McDaniel,

Attached is a letter addressed to you from Commissioner Musgrave. This was also mailed via U.S. Postal Service yesterday afternoon.

Also, as soon as our digital sender/copier is functional again, I will email to you the hard copy of the letter Mr. Atherton, Mr. Wendt's Indianapolis attorney, mailed to the Commissioner, including the Denne study. Both documents were previously provided to you via email. The Denne study was sent to you via email on November 7, 2007 and the Atherton letter was sent to Mr. Friedman via email on November 16. If you did not receive one or both documents, please let me know.

11/26/2007

Very Respectfully,

Timothy J. Rushenberg
General Counsel
Indiana Department of Local Government Finance
Indiana Government Center North
100 North Senate Avenue N1058(B)
Indianapolis, IN 46204
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11/26/2007

NEXUS GROUP

PROPERTY TAX CONSULTANTS

November 28, 2007

Commissioner Cheryl Musgrave
Department of Local Government Finance
Indiana Government Center North
100 N. Senate Ave., N 1058 (B)
Indianapolis, IN 46204

RE: LaPorte County Response to Denne ("October Report"), Wendt & Atherton Inquiries

Greetings Commissioner Musgrave,

The LaPorte County and Township Assessors have asked that we respond on their behalves in this matter. All the assessors, as well as other LaPorte County officials, are concerned by this latest report, and the continual challenges to the assessment and taxation process in general raised by a small group of well-funded taxpayers. We appreciate the opportunity to again respond to these allegations.

Please note that this is the third review of the 2006 real property assessments of LaPorte County by the Indiana Department of Local Government Finance (DLGF) and all other interested parties. The first review and approval of LaPorte County's 2006 assessments by the DLGF occurred on March 16, 2007. This approval occurred shortly after our review and complete rebuttal of a non-conforming ratio study of LaPorte County performed by Mr. Denne in February 2007. Our review (enclosed) was submitted to the DLGF on March 9, 2007. The second review occurred subsequent to the Marion County re-assessment order when the DLGF re-examined all counties' real property assessments. LaPorte County's 2006 assessments were again re-approved by the DLGF on September 7, 2007. This inquiry represents the third, and hopefully last, review of the 2006 real property assessments in LaPorte County. We are seeking re-approval of these same 2006 real property assessments.

Format of LaPorte County Response

Documents in order of their appearance:

- LaPorte County November 2007 Response
- Denne February 2007 Study
- LaPorte County March 2007 Response
- CD containing:
 1. LaPorte County 2006 ratio study - final
 2. Hamilton County Re-worked Ratio Study
 3. Monroe County Re-worked Ratio Study
 4. Knox County Re-worked Ratio Study
 5. Rush County Re-worked Ratio Study
 6. Hancock County Re-worked Ratio Study

The data used for the LaPorte County 2006 ratio study is comprised primarily of valid sales from 2004, 2005 and 2006. The DLGF website (http://www.in.gov/dlgf/rates/PTRC_Withholding112107.pdf) notes these databases are fully compliant for all years. All other listed information is derived from the 2007 real property ratio studies provided by the respective counties to the DLGF. Neither study by Mr. Denne included the actual data sets; only the summary results which prevents us from noting all the differences between those reports and that supplied by LaPorte County.

Background

As the DLGF files should indicate, LaPorte County first had the opportunity to respond to similar allegations earlier this year (response attached) At that time, Mr. Wendt had contracted with Mr. Denne of *Almy, Gloudemans Jacobs & Denne* for a similar purpose and study ("February Report").

After review of the February Report, several major flaws were noted in Mr. Denne's analysis. We are including a short synopsis of that review here to better demonstrate this consultant's actual performance in regard to measuring assessment quality in Indiana. Likewise, at least one of the problems in the February Report continues under a new guise in the October Report.

Denne February Report – Fatal Flaws

The report makes two critical assumptions about Indiana assessments and the annual adjustment process. Unfortunately, both of these assumptions are in error. Those assumptions:

1. A General Reassessment did not occur (in LaPorte County).

This assumption is inherent in the comments in page 1, second paragraph, and further illustrated in page 2, first paragraph. In fact, as Mr. Denne points out, *"Some of these factors would be expected, rather than indicative of sales chasing, if there had been a general reassessment between years 2005 and 2006."*

The information we provided at the time and subsequently to all parties indicated that in effect, most aspects of a general reassessment had occurred. Values were not simply "factored up" by a change in relevant price level, as Mr. Denne contemplates in page 1, paragraph 2. Please reference our March 9, 2007 response to the February Report. Clearly, LaPorte County's work on the 2006 assessed values more closely resembles a reassessment as compared to some type of factoring process based on price or sales indices.

2. Comparison of 2005 AV and 2004-5 sales vs. 2006 AV and 2004-5 sales can be used to draw inferences about the local assessment procedures.

This method is proposed by Mr. Denne in page 2, paragraph 1 where he explains that a reliable measure for ascertaining "sales chasing" would compare *"COD's calculated for the ratios of the year-2005-assessments divided by validated sales prices and those calculated for the ratios of the year-2006-assessments divided by the same sales prices."*

That assumption was completely flawed. As hopefully all parties are now well aware, real property assessments for assessments years 2002-2005 inclusive are to be based on a valuation

date of 1-1-99 (see for example: Real Property Assessment Guidelines for 2002- Version A, and/or IC 6-1.1-4 and/or 50 IAC 21. Therefore, the 2005 assessments utilized by Mr. Denne are based on sales and other value-in-use observations to approximate value as of **1-1-99**. The 2006 assessments utilized by Mr. Denne as based on sales and other value-in-use observations to approximate value as of **1-1-05**.

Our analysis is reiterated here to provide some perspective on Mr. Denne's demonstrated familiarity, or perhaps lack thereof, with Indiana's assessment system and assessment measurement procedures. Mr. Denne's February Report was inherently flawed. Rightfully so, the DLGF dismissed his work at that time. The outcome of that in-depth investigation was the DLGF's original approval of the county's 2006 ratio study on March 16, 2007. As will be demonstrated below, the October Report and conclusions are equally unsound.

Denne October Report – Faulty Perspectives and Conclusions

Denne's October Report concludes that 2006 real property assessments in most all property classes and townships of LaPorte County fail the various statistical tests for assessment accuracy and uniformity. That finding is in direct conflict with the 2006 LaPorte County Ratio Study submitted to and approved by the DLGF.

Wherein lies the difference? Which study is more accurate? How can information presumably of the same datasets reach such vastly different conclusions?

The answer is quite simple: Denne's October report focuses almost exclusively on a sales comparison of **2006** assessed values versus **2006** sales prices. Those dates are critical to the fatal flaw of Denne's October report.

Per the Denne October report, 2247 valid sales from **2006** were compared with **2006** assessed values for the same parcels (see page 6). The statistical analysis results are reported in Table 1 and Table 2. This fact is reiterated on Page 4, second paragraph.

"Notionally, using sales from 2006 to evaluate the accuracy of such (2006) assessments would have helped to ensure the objectivity of the evaluation, inasmuch as those sales would normally have occurred after the assessors would have had their last opportunity to assess sold properties differently than those that had not been sold recently." See page 4 lines 23-26.

Denne then continues with analysis in Tables 3 and 4 by augmenting the 2006 valid sales with 472 usable valid sales from the 2004 and 2005 time period.

Although Denne reports approximately the same number of valid sales in 2004 and 2005 as what was reported to the DLGF and what was used in the 2006 LaPorte County ratio study (approximately 2900 sales), only 472 sales are utilized. The sales from 2004 and 2005 are combined with sales from 2006 in Table 3 and Table 4.

Although the report is quite well-done with superior graphical representations of the supposed "vast" problems of LaPorte County's 2006 real property assessments, the data itself boils down to the use of

primarily 2006 sales in comparison with 2006 assessed values. While this information could be used to direct **2007** annual adjustments under 50 IAC 21, it sheds no light on the quality of 2006 real property.

Error #1: Flawed Perspective

Allow us to reiterate what information Denne has provided as the foundation for Tables 1, 2, 3 and 4. Denne utilizes 2247 valid sales from **2006** to study **2006** assessment quality. He “notionally” feels that such a comparison would be an objective measure.

That notion differs markedly from current Indiana Administrative Code.

*50 IAC 21-3-3 Sec. 3. (a) The local assessing official shall use sales of properties occurring between **January 1, 2004, and December 31, 2005**, in performing sales ratio studies for the **March 1, 2006**, assessment date. For assessment years occurring March 1, 2007, and thereafter, the local assessing official shall use sales of properties occurring the two (2) calendar years preceding the relevant assessment date.*

(b) The valuation date is January 1 of the year preceding the year of the assessment date. Sales occurring before or after that date shall be trended if appropriate, in accordance with the IAAO standard. The time adjusted sale price shall become the basis for all ensuing analysis undertaken under this article.

This section of Indiana Administrative Code clearly specifies that sales from the **prior** two calendar years are to be used for the requisite ratio studies in 50 IAC 14 as well as for annual trending of assessments.

In other words, Denne errs by using sales from the 2006 time period to measure the assessment uniformity and accuracy of 2006 pay 2007 assessments. Sales from 2004 and 2005 were to be used per 50 IAC 14 and 50 IAC 21.

Further, all the DLGF 2006 re-trending orders specify that sales from 2004 and 2005 should be utilized. (See paragraph 9 of orders for Delaware, Gibson, Jay, Montgomery, Pike, Sullivan and Warren counties; paragraph 17 of orders for Adams, Blackford, Crawford, Fulton, Jennings, Ohio, Parke, Ripley, Scott and Switzerland counties; paragraph 28 of the Shelby County order.)

Indiana Administrative Code, the re-trending orders and past practice all indicate that real property assessed values for 2006 pay 2007 shall be based on sales from the 2004-5 time period.

Denne attempts to time-trend the 2006 sales via information from the Office of Federal Housing Enterprise Oversight (OFHEO). Page 34 of the December 31, 2006 report is included here as an attachment. Please note that the percentage change (3.3%) suggested for Michigan City-LaPorte, IN is an overall statistic, presumably across the entire statistical area. Of course, there is more than sufficient data available to simply use the dataset specified in 50 IAC 21 (2004 and 2005 sales), obviating the need to broadly time-adjust sales from 2006.

Why apply broad, non-specific, time-adjustments to sales from 2006 when at least as much data was available to Denne for 2004 and 2005?

As we demonstrated in our March 9, 2007 response, all 2006 real property assessments were based on specific neighborhood-level information. Specific neighborhood adjustments are called for in 50 IAC 21. We are utilizing the sales data from 2005 and 2006 in the annual adjustment procedure for 2007 real property assessments - not 2006 assessments - as specifically specified in the DLGF's latest memo on the subject {http://www.in.gov/dlgf/memos/1060_001.pdf at 4(b)}. Denne's October Report attempts no neighborhood-based time-trending computation. Of course, significant and compliant sales information was readily available for 2004 and 2005, as specified in 50 IAC 21; Denne makes no independent use of data from the specified time period.

No independent review of Denne's datasets for either the February Report or the October Report is possible since in both cases, Denne neglected to provide the specific observations. We suspect that many of the outlier sales included in Denne's October report are the same outliers that we and the townships have field inspected and corrected over the past months for the 2007 annual trending process. With regard to commercial and industrial sales outliers, we have made attempts to closely examine each transaction and in many cases site visited the property for:

- 1) validity of sales condition, changes in condition between sales date and assessment;
- 2) possible inclusion of personal property;
- 3) inclusion of intangible business value, franchise value and similar;
- 4) property characteristics (grade, condition, effective age, etc.).

Based on these inspections, net adjustments to sales price and individual property assessments continue to be made, and will continue up to the conclusion of the 2007 real property adjustment process. Additionally, similar adjustments have been made to non-sold, comparable properties in the same neighborhoods, market areas or townships.

With regard to residential sales outliers likely used in the Denne October report, similar analysis has been conducted. Several of the sales outliers had been inadvertently marked "valid" in the county's sales disclosure form data base that are truly invalid (related parties, forced sale, foreclosure, etc.) Several of these sales outliers are also multiple parcel sales that had not identified as such. Of course, the use of these sales in a simple comparison against 2006 assessments would yield vast, superfluous differences, as Denne notes. Finally, the vast majority of the 2006 residential sales outliers used by Mr. Denne in his skewed comparison are likely the same sales on which field studies were based, that have been and are occurring throughout LaPorte County. These site visits review all elements of a property's basic assessment: effective age, grade, condition, even measurements. Further, the neighborhood delineation is also part of the field review as proper annual trending requires constant attention to market areas, the same type of analysis recommended in 50 IAC 21. As in every other county in which we provide trending services, these effective age studies have become the single most important part of our work in providing uniform and accurate assessments. LaPorte County has been and continues to be no different. A significant amount of time and effort has been spent viewing comparable non-sold residential properties in those areas identified in the 2007 preliminary ratio study at the township and neighborhood level. Again, the 2006 sales are the basis for this review, not as the basis for determining the 2006 assessments.

In summary of the Denne October report Error #1 – sales from 2004 and 2005 only should have been used to measure 2006 assessment quality. His focus on sales from 2006 as a measurement of the quality of 2006 pay 2007 real property assessed values reflects negligence of basic annual adjustment procedures as outlined in Indiana Administrative Code.

Error #2: Insufficient Use of Sales Data

Denne does add 472 valid sales from 2004 and 2005 to his 2006 sales in the analysis reported in Tables 3 and 4.

However, he notes that approximately 2900 valid sales existed in the files provided to the DLGF and to Denne/Wendt. Further, the 2006 LaPorte County Ratio study as submitted and twice approved by the DLGF utilizes approximately 2915 valid sales. Only 78 sales (3%) were used outside of the specified 2004-5 time period.

Again, the sales database provided to Mr. Denne/Wendt and to the DLGF comprises about 2900 valid sales from the 2004-5 time period. Mr. Denne's October report uses only 472 of these valid sales. Eighty three percent (83%) of the valid sales from the 2004-2005 time frame are NOT used for some reason with scant explanation.

The LaPorte County and Township Assessor contend that if these sales were appropriately used in a ratio study and the 2006 sales were excluded per 50 IAC 14 and 21, that the results would closely mirror those found in the 2006 LaPorte County Ratio Study.

Clearly the DLGF received the valid sales. The latest DLGF Statewide Data Status Report lists the LaPorte County Sales Data as being compliant, so obviously all required fields were included for every valid sale in the respective databases. That same information was provided to Denne. Mysteriously, over 80% of the valid sales from 2004 and 2005 are not used by Denne.

Sales from 2004 and 2005, if not exclusively then primarily, are those that should have been used by Denne. Instead, he utilizes sales in Tables 1 and 2 that are exclusively from the wrong year, and then in Tables 3 and 4, a sales database that is comprised of 2247 sales from 2006 and but 472 sales from 2004 and 2005. Even then, over 80% of this dataset is comprised of sales from outside the specified time frame. This is a significant error or omission.

Error #3: Erroneous Conclusion

Denne implicitly invokes a new standard on Indiana assessment performance. He opines that one should take subsequent data outside the two years preceding the assessment date per 50 IAC 21 and utilize that data as the performance standard. In other words, 2006 sales data is the definitive test of the quality of 2006 assessment data. We can not agree with this opinion since it is in direct conflict with current statute which reads:

50 IAC 21-5-1 Preliminary analysis

Authority: IC 6-1.1-31-1; IC 6-1.1-31-12

Affected: IC 6-1.1-4-4.5

Sec. 1. (a) Ratio studies shall be generated annually for each township and property class group. The local assessing official will review the statistics for the sales occurring during the two (2) years preceding the assessment date.

(b) The coefficient of dispersion (COD) should be examined for equity of current assessments. If the ratio study conducted reflects a coefficient of dispersion outside what the IAAO Standards

require, further stratification or a reassessment of that particular property group may be the only reasonable alternatives for restoring uniformity to the assessments.

(1) When the COD is less than or equal to 10.0, the local assessing official shall proceed under the premise that applying an annual adjustment factor to the classification will be sufficient to meet the requirements of this article.

(2) When the COD is greater than 10.0, the assessor must review neighborhood delineations and stratifications and may consider reviewing land values.

(c) Price related differential (PRD) measures assessment progressivity or regressivity. Stratifications with PRDs greater than 1.03 or less than .98 requires the same remedy as 50 IAC 21-11-1. (Department of Local Government Finance; 50 IAC 21-5-1; filed Dec 30, 2004, 5:28 p.m.: 28 IR 1455)

Denne's concept differs markedly from that outlined in 50 IAC 21-5-1. Here, the code specifies for the assessor to conduct a ratio study utilizing data from the prior two years. Sales data from 2005 and 2006 would be utilized to initiate the annual trending process for 2007 assessments. Again, the Indiana Administrative Code looks at this data as indicative of possible areas to receive in-depth analysis for 2007 assessments, not as a basis to return to the prior year (2006) and reassess.

The use of 2005 and 2006 sales in LaPorte County was the basis for the county's preliminary ratio study for 2007 pay 2008 trending. These studies indicated areas throughout the county that required further neighborhood review, stratification and reassessment, just as 50 IAC-21-5-1 contemplates.

As an obvious test of the so-called Denne hypothesis, Nexus Group performed ratio studies using 2005 and 2006 sales to similarly measure the 2006 assessment performance of other counties in addition to LaPorte County. Three counties have already had 2007 real property assessments and 2007 ratio studies approved by the DLGF (Dubois, Hamilton and Monroe). The Dubois County information lacked a critical required field (prior year assessed values) and was therefore unavailable for review. The three additional counties (Knox, Rush and Hancock) have submitted 2007 ratio studies for DLGF review and contain all required fields.

Again, we utilize the 2007 ratio approved ratio study for each county, but instead of comparing the 2005-6 sales data with 2007 proposed assessments, we compare it to the past data; assessments for 2006. This is exactly what Denne's October study claims is the basis for measuring assessment quality

Hamilton County Results:

Attachment 1 is a one-page summary of the results of this study. The entire study is included in the CD file and marked "Hamilton Co. Reworked Ratio Study".

We deleted property classes of no concern (agricultural vacant and improved) and eliminated all parcels that did not exist in the prior year. As with Denne, all that was required for analysis was that the sold parcel had a valuation in the 2006 assessment year.

Based on the Denne study hypothesis, every property class in Hamilton County fails at least one statistical measure for assessment level and/or uniformity. In other words, if the Denne approach is considered as the new assessment standard in Indiana, Hamilton County must immediately reassess their 2006 payable 2007 real property. Of course, keep in mind that Hamilton County 2006 real

property assessments have twice passed DLGF review, but do not pass the new Denne assessment test. Further, Hamilton County's 2007 ratio study has also been approved by the DLGF.

We do not believe that any substantial problems exist in regards to Hamilton County's 2006 or 2007 real property assessments. However, under the so-called Denne scenario, both years would require reassessment.

A conclusion to reassess is contrary to 50 IAC 21. Per 50 IAC 21 these preliminary statistical results indicate that the assessor should further stratify, delineate, trend and adjust the **2007** real property assessments, not reassess for **2006**.

Monroe County Results:

Attachment 2 is a one-page summary of the results of this study. The entire study is included in the CD file and marked "Monroe Co. Reworked Ratio Study".

Again, we deleted property classes of no concern (agricultural vacant and improved) and eliminated all parcels that did not exist in the prior year. As with Denne, all that was required for analysis was that the sold parcel had a valuation in the 2006 assessment year. Further, as Denne notes with LaPorte County, we had access to the 2006 sales information at the time when these assessments were formulated. This gives a significant bias to the results in favor of finding them to be in compliance with IAAO and the Indiana standards as in 50 IAC 14.

For Monroe County, there are 11 townships and 6 possible property classes to study. Eight studies pass the Denne test, but the vast **majority** of property classes **fail** one or more statistical measures. Again if the Denne approach is considered as the new assessment standard in Indiana, Monroe County must immediately reassess most of the real property for 2006 payable 2007. Again, Monroe County's 2007 ratio study has also been approved by the DLGF.

We are confident that no substantial problems exist in regards to Monroe County's 2006 or 2007 real property assessments. However, under the so-called Denne scenario, both years would require reassessment.

A conclusion to reassess is contrary to 50 IAC 21. Per 50 IAC 21 these preliminary statistical results indicate that the assessor should further stratify, delineate, trend and adjust the **2007** real property assessments, not reassess for **2006**.

We also investigated other Indiana county data under the same questionable premise. These additional study counties are: Knox, Rush and Hancock counties.

Knox County Results:

Attachment 3 is a one-page summary of the results of this study. The entire study is included in the CD file and marked "Knox Co. Reworked Ratio Study".

Again, we deleted property classes of no concern (agricultural vacant and improved) and eliminated all parcels that did not exist in the prior year. As with Denne, all that was required for analysis was that the sold parcel had a valuation in the 2006 assessment year.

For Knox County, there are 10 townships and six possible property classes to study. Only one (1) study passes the Denne test; **all other** property classes **fail** this new test. Again if the Denne approach is considered as the new assessment standard in Indiana, Knox County must immediately reassess most of the real property for 2006 payable 2007.

We have actively worked within the directives of 50 IAC 21 in adjusting real property assessments in Knox County. We are confident that no substantial problems exist with Knox County's 2006 or 2007 real property assessments. However, under the so-called Denne scenario, both years would require reassessment.

A conclusion to reassess is contrary to 50 IAC 21. Per 50 IAC 21 these preliminary statistical results indicate that the assessor should further stratify, delineate, trend and adjust the **2007** real property assessments, not reassess for **2006**.

Rush County Results:

Attachment 4 is a one-page summary of the results of this study. The entire study is included in the CD file and marked "Rush Co. Reworked Ratio Study".

Again, we deleted property classes of no concern (agricultural vacant and improved) and eliminated all parcels that did not exist in the prior year. As with Denne, all that was required for analysis was that the sold parcel had a valuation in the 2006 assessment year.

For Rush County, there are 12 townships and six possible property classes to study, but most townships do not have sufficient parcel counts or sales to produce any ratio study at all. For the property classes with any level of 2005-6 sales, **all property** classes **fail** this new test. Again if the Denne approach is considered as the new assessment standard in Indiana, Rush County must immediately reassess most of the real property for 2006 payable 2007. This is especially troubling in Rush County as every parcel in the county has been site visited at least once since the 2002 general reassessment. By the end of 2008, it is expected that every property will have been visited twice since 2002.

A conclusion to reassess is contrary to 50 IAC 21. Per 50 IAC 21 these preliminary statistical results indicate that the assessor should further stratify, delineate, trend and adjust the **2007** real property assessments, not reassess for **2006**.

Hancock County Results:

Attachment 5 is a one-page summary of the results of this study. The entire study is included in the CD file and marked "Hancock Co. Reworked Ratio Study".

Again, we deleted property classes of no concern (agricultural vacant and improved) and eliminated all parcels that did not exist in the prior year. As with Denne, all that was required for analysis was that the sold parcel had a valuation in the 2006 assessment year.

For Hancock County, there are nine (9) townships and six possible property classes to study; several townships do not have sufficient parcel counts or sales to produce any ratio study at all. For the property classes with any level of 2005-6 sales, only four property classes pass this new test and all remaining ones fail. Again if the Denne approach is considered as the new assessment standard in

Indiana, Hancock County must immediately reassess most real property for 2006 payable 2007. Again, this finding is very troubling given the effort put forth in re-visiting most of the parcels in the county since the 2002 general reassessment.

A conclusion to reassess is contrary to 50 IAC 21. Per 50 IAC 21 these preliminary statistical results indicate that the assessor should further stratify, delineate, trend and adjust the **2007** real property assessments, not reassess for **2006**.

Correct Analysis, Incorrect Conclusion

Denne's October report, even though comprised mostly of sales from the 2006 time period is vastly similar to our own *preliminary* analysis for LaPorte County (not contained herein). However, the correct interpretation of this result is that the information indicates the need for continued stratification, refinement and assessment adjustment per 50 IAC 21 for 2007 pay 2008 real property assessments. Having been intimately involved in the creation of the state's annual trending rule, this was the original intent of the preliminary ratio study each county is to conduct.

In no way does that analysis indicate a need to go back to the **prior** year and reassess. That conclusion is simply, grossly incorrect.

That same conclusion should likewise be reached in reviewing Attachments 1-5 hereunder; the real property assessments in the various counties **do not** require reassessment for 2006 pay 2007. Each county should have, and to the best of our knowledge and based on the submitted ratio studies indeed did, engage in a stratification and adjustment process for 2007 pay 2008 real property assessments. The 2007 ratio studies submitted by each county to the DLGF indicate compliance with virtually all statistical measures. Likewise, parcel-by-parcel reviews indicate that most parcels have different 2006 assessments than proposed for 2007. All these counties appear to have followed 50 IAC 21 and 50 IAC 14 by engaging in an active review process, stratifying and re-examining 2007 real property assessments. None of these counties has yet been subject to a reassessment order for 2007 real property. None were subject to a reassessment order for 2006 real property assessments after considerable review by the DLGF.

We agree with the directive of 50 IAC 21 in attempting to appropriately interpret Denne's October report. Many property classes of LaPorte County require further stratification, delineation and re-examination prior to finalizing **real property assessments for 2007 pay 2008**. However, that directive is diametrically opposed to the suggestion of Denne and the desire of Wendt to reassess real property for **2006 pay 2007** based on these findings alone.

Mr. Atherton's Letter for 10-29-07 – Responses

In his letter of 10-29-07, Mr. Thomas Atherton points to three supposed critical elements of Denne's October report. We will likewise add commentary to those summations.

Relevance of the evidence

The October Report is relevant from the perspective of whether or not LaPorte County should engage in the annual adjustment process for 2007. The analysis of the report, as well as our own, suggests that the annual adjustment process is critical in LaPorte County in an effort to accurately, fairly and uniformly assess real property for 2007.

The October Report has no relevance regarding the accuracy and uniformity of 2006 real property assessments in LaPorte County

Study's Conclusions

While those unfamiliar with the process and nature of Indiana real property assessments might believe that Mr. Denne's October Report is irrefutable evidence of non-conforming real property assessments for 2006 in LaPorte County, the truth of the matter is that it simply shows the need for continuing annual adjustments, not only in LaPorte County, but in all counties for which data is available.

There is no evidence to order reassessment for LaPorte County in regards to 2006 real property values. On the contrary, there is evidence that the 2006 real property values are indeed within both IAAO standards as well as those expressed in 50 IAC 14 and 50 IAC 21.

Qualifications of the analysts

We are unfamiliar with other non-collaborative work by Mr. Denne, outside of the two reports (February and October) provided for Mr. Wendt's ongoing litigation against LaPorte County. In both instances, we have conclusively demonstrated that either Mr. Denne is unfamiliar with basic assessment requirements expressed in either Indiana Code and/or Indiana Administrative Code, or that he simply chooses to ignore the relevant directives and code. For either or both reasons, the October Report does not justify a reassessment order. Hopefully his work in other jurisdictions outside of Indiana is superior to the product at hand.

In both the February and October reports, the nature of Denne's analysis is not supported by the factual background of basic Indiana assessment elements. Simple items are overlooked: the valuation date relevant for a particular assessment year, the required sales period to judge the accuracy of relevant assessment data, etc. How many basic errors are necessary before the "pre-eminence" of one's qualifications are questioned?

Perhaps in the case at hand, one might also consider the motivation. Mr. Wendt is actively prosecuting LaPorte County on various grounds in multiple cases. Mr. Wendt contracted with *Almy, Gloudemans, Jacobs & Denne* to produce this report. One must at least consider that the supposed evidence and conclusions are not an independent analysis of fact. Rather, existing data unsupportive of the desired conclusion has been ignored.

Denne's February report did not even recognize that 2005 real property assessments were based on a different valuation date than 2006 assessments. Denne's October report mysteriously ignores 83% of the existing valid sales from 2004 and 2005, and then uses sales from mostly the wrong time frame. Those errors are irrefutable and point to significant shortcomings in Denne's work in these instances.

Further, we are more familiar with the work of Mr. Gloudemans of *Almy, Gloudemans, Jacobs & Denne*. An interesting note is that Mr. Gloudemans received an exceedingly competitive award and grant (David C. Lincoln award) from the highly prestigious Lincoln Institute of Land Policy in 2000, 2001 and 2002. Only five or so grants were extended world-

wide each year. It certainly is indicative of the typical quality of work generally associated with Mr. Gloudemans.

It should be noted that we also received this same grant from the Lincoln Institute of Land Policy for the same time period. Our results, especially in Indiana, speak louder than our lengthy resumes. No underlying assessment issues have ever been documented in any county in which we have performed sales ratio studies.

Further, Nexus Group provided detailed commentary to the DLGF in regards to the construction of 50 IAC 14 and 50 IAC 21. The language contained therein is plain, straightforward and very specific. Non-Ph.D.'s follow those requirements without error; why not Denne's studies?

If the DLGF accepts the analytical format as proposed by Denne, current Indiana Administrative Code will be overturned and rendered null and void. Based on the evidence at hand, it is implausible that any Indiana county would pass Mr. Denne's notional measure of assessment accuracy and uniformity.

Summary

Denne's October Report could have followed the requirement of 50 IAC 21 in examining the accuracy and uniformity of the 2006 real property assessments if he had utilized the valid sales from the 2004-5 time period as provided to him and/or the DLGF. He chose not to utilize those sales and instead used sales from 2006.

Denne's October Report could have followed the specifications of 50 IAC 21 in terms of the assessor's responsibilities when sales data from 2006 is indicative of underlying assessment issues. If the report had done so, a conclusion of further stratification of assessments would be reached for 2007 pay 2008 real property in the vast majority of property classes in LaPorte County. He and Mr. Wendt chose to ignore 50 IAC 21 and demand a reassessment in the prior year.

There is NO EVIDENCE presented in either the February or October reports that support a reassessment order for LaPorte County 2006 real property assessments. Rather than being an independently commissioned study, Mr. Denne simply reaches the conclusion sought by his client, Mr. Wendt, in claiming that assessments and taxes are not fair. Unfortunately for Denne and Wendt, Indiana Administrative Code could not be more clear as to what data is relevant for the assessment year in question. Indiana Administrative Code completely supports the assessment activities of the LaPorte County Assessor and respective Township Assessors

There is, however, substantial evidence as supplied to and approved by the DLGF that 2006 real property assessments in LaPorte County are within IAAO standards as well as those in place in Indiana Administrative Code. We urge the DLGF to follow the existing codified standards, as well as the language in every re-trending directive, and notify Denne/Wendt that they have once again missed the mark. Likewise, we implore the DLGF to again, re-approve the 2006 real property assessments for LaPorte County.

While we appreciate the opportunity to respond to these continual allegations and support our work, the citizens of LaPorte County demand and deserve better. These efforts and inherent delays have cost

the taxpayers of LaPorte County tens of thousands of dollars in additional, unnecessary legal and consulting fees and hundreds of thousands of dollars in delayed property tax billings and collections that will likely extend into 2008.

This is the second such attempt by Denne/Wendt to circumvent the appeals process that is available to every property owner. Neither of Denne's studies contain any information about the accuracy of 2006 real property assessments in LaPorte County, but both studies demonstrate that a well-funded taxpayer can ignore the usual processes and stymie an assessment and taxation system. That is, as long as such supposed evidence is given any more consideration than it is due. Nothing prevents Wendt from presenting this supposed "evidence" at the formal appeal of his own parcel.

Per the requirements of 50 IAC 14-10-1 and 50 IAC 21-12-1 the DLGF is to utilize information in its possession to ascertain if the county and township assessments meet the IAAO standards for assessment accuracy and uniformity. To the best of our knowledge, all known information in possession of the DLGF to judge the accuracy of 2006 real property assessments in LaPorte County consists of:

A). 2006 LaPorte County Ratio Study

This study utilizes 2915 valid sales, 97% of which are from the 2004-2005 time frame. The study finds all property classes are within the specified assessment standards based on sales from the specified time period. The study's results suggest no DLGF action.

B). Denne October Report

This two-part study utilizes

- in Tables 1 & 2, no sales from 2004-2005, instead time-adjusting sales from 2006; and
- In Tables 3 & 4, combines a partial subset of the available 2004-2005 valid sales (472 out of 2900, or about 16%) with time-adjusted 2006 sales.

The study finds that time-adjusted 2006 sales as compared with 2006 real property values do not meet assessment standards. Reassessment is the suggested response by the author.

The DLGF has only one study that utilizes the correct dataset to gauge the accuracy of 2006 real property assessments in LaPorte County – the 2006 LaPorte County Ratio Study. Denne's October report lends itself to suggested real property adjustments for 2007 real property assessments, not a reassessment of 2006 property values. There is no affirmative data in possession of the DLGF suggesting or supporting a reassessment of 2006 real property for LaPorte County. We urge the DLGF to comply with the specifications of 50 IAC 14-10-1 and 50 IAC 21-12-1, review the data in its possession and allow the 2006 assessment, taxation, collection and billing processes in LaPorte County to proceed, again.

Further, we urge the DLGF to more closely examine future evidence from Mr. Denne. His unique outlook simply does not compare favorably with Indiana Administrative Code that governs these activities. We remain concerned that this additional review procedure allowed to similarly situated taxpayers establishes a groundless precedence and an unnecessary, expensive hurdle for any Indiana county.

Finally, in your November 20, 2007, letter to LaPorte County Assessor Carol McDaniel, you state:

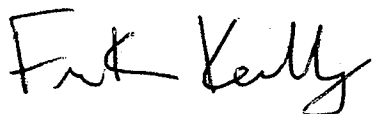
"In order to ensure fair, just, and accurate assessments in LaPorte County, the County, the Department, and Mr. Wendt must analyze and review the exact same data."

We could not agree more with this statement. We respectfully request that the DLGF and Mr. Denne consider the required sales data to measure the quality of the March 1, 2006 assessments in LaPorte County and every other county in the state. Indiana law clearly directs the counties to use 2004 and 2005 sales data as part of the annual trending process for March 1, 2006.

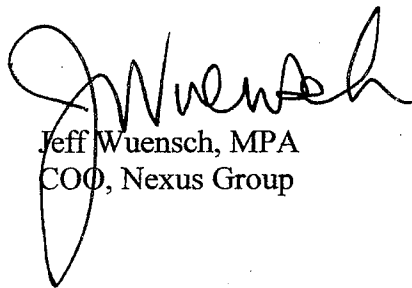
At first blush, Denne's October Report appears impressive. However, on closer, detailed review, it becomes clear that the study utilizes the wrong sales information and reaches the wrong conclusion per Indiana Administrative Code. As a commentary of the quality of the 2006 real property assessments in LaPorte County, it must be rejected in its entirety.

On behalf of the LaPorte County Assessor and respective Township Assessors, we respectfully request that Mr. Denne's October report be dismissed as having no factual basis for reassessing LaPorte County real property for 2006 pay 2007.

Sincerely,



Frank S. Kelly, PhD.
President, Nexus Group



Jeff Wuensch, MPA
COO, Nexus Group

CC (w/out enclosures):

Carol McDaniel, LaPorte County Assessor
Teresa Shuter, LaPorte County Auditor
Ken Layton, LaPorte County Treasurer
LaPorte County Township Assessors
LaPorte County Commissioners
LaPorte County Council
Shaw Friedman, Esq.
Marilyn Meighen, Esq.
Judy Sharp, Monroe County Assessor
Carol Maynard, Hancock County Assessor
JoAnn Herbert, Rush County Assessor
Ray Loheider, Knox County Assessor
Debbie Folkerts, Hamilton County Assessor

STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE
PHONE (317) 232-3775
FAX (317) 232-8779



INDIANA GOVERNMENT CENTER NORTH
100 NORTH SENATE AVENUE N1058 (B)
INDIANAPOLIS, IN 46204

December 4, 2007

Thomas M. Atherton
Bose McKinney & Evans, LLP
135 North Pennsylvania Street
Indianapolis, IN 46204

Dear Mr. Atherton,

On November 28, 2007, the Nexus Group responded on behalf of the LaPorte County Assessor and Township Assessors to the ratio study conducted by Robert Denne, which was paid for by your client, William H. Wendt. As you know, Nexus Group's response was provided to the Department nearly two weeks before their December 10 deadline. The Department is in the process of analyzing the county's response. Additionally, the Department is still reviewing the Denne Study, which you provided to us on October 19, 2007. However, during our analysis, it has become clear that we do not have all of the data used by Mr. Denne. Therefore, we request that your client provide us with all of the data used to create the Denne Study.

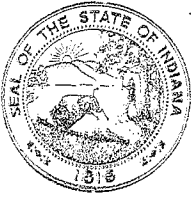
As we informed LaPorte County Assessor Carol McDaniel in a letter on November 20, 2007, it is the Department's goal to ensure fair, just, and accurate assessments in LaPorte County. To reach that goal, it is important that LaPorte County, the Department, and Mr. Wendt review the exact same data. At this point in our analysis of the Denne Study, it is obvious that we do not have all of the data used by Mr. Denne. Therefore, we ask that you please provide us with all of the data Mr. Denne used to create his ratio study.

Thank you for your attention to this matter. If you have any questions or concerns, please feel free to contact the Department's General Counsel, Timothy J. Rushenberg, at (317) 233-6770.

Sincerely,

Cheryl A. W. Musgrave
Commissioner

cc: Shaw Friedman
Carol McDaniel
William H. Wendt



**STATE OF INDIANA
HOUSE OF REPRESENTATIVES**

THIRD FLOOR STATE HOUSE
INDIANAPOLIS, INDIANA 46204

SCOTT D. PELATH
1824 MANHATTAN STREET
MICHIGAN CITY, IN 46360

COMMITTEES:
RULES AND LEGISLATIVE PROCEDURES, CHAIR
COMMITTEE ON JOINT RULES
PUBLIC POLICY
ELECTIONS AND APPORTIONMENT

December 4, 2007

Cheryl Musgrave, Commissioner
Department of Local Government Finance
100 N. Senate Ave. N 1058
Indianapolis, IN 46204

Dear Commissioner Musgrave:

Late last week, I learned that the Department of Local Government Finance (DLGF) may revoke its certification of LaPorte County's property tax assessments.

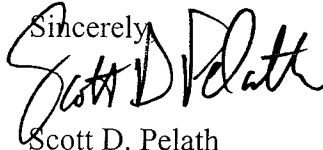
As in many other counties, our taxing units are borrowing millions in order to fund their operations. Since the interest payment constrictor is slowly tightening around my county's residents, any further, possible delay in revenue collections is a matter of significant concern.

So I may better understand why the DLGF would grant approval and then reverse itself, I would appreciate a prompt response to the following series of questions:

- 1) If the DLGF is not satisfied with LaPorte County's assessment data, why did it even consider certifying the assessments?
- 2) On what date did the DLGF surmise that existing data was unsatisfactory? What influenced this appraisal?
- 3) Throughout the DLFG certification process, does the Department weigh the interest costs of any delay? Are they considered in comparison to the aggregate, potential benefit of any further review?
- 4) Are any concerns about LaPorte County's assessments best left to existing appeals processes and legal remedies?
- 5) If the Department signed-off on an assessment, why should LaPorte County taxpayers bear the cost of a DLGF reversal?
- 6) In layman's terms, what additional data is the DLGF seeking? Why is available data deficient?

On August 1, I sent an inquiry to the DLGF regarding LaPorte County's assessments. On August 13, I received a cursory reply that did not directly answer any of my questions. My follow-up letter of August 23 received no reply.

This time, I would look forward to receiving a written reply to each of my questions by Friday, December 7. Thank you for your time and immediate attention.

Sincerely,

Scott D. Pelath
State Representative
House District 9

STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE



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100 NORTH SENATE AVENUE N1058(B)
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December 13, 2007

The Honorable Scott D. Pelath
State of Indiana
House of Representatives
Third Floor, State House
Indianapolis, IN 46204

Dear Representative Pelath:

This is in response to your letter of December 4, 2007 regarding the 2006-pay-2007 LaPorte County property tax assessments. I will address your questions in order. However, I ask that you please direct your attention primarily to the responses to Questions number 1 and 2 for the reasons behind the Department of Local Government Finance's (Department) current review of LaPorte County's assessments.

1. Question: If the Department is not satisfied with LaPorte County's assessment data, why did it even consider certifying the assessments?

Response: Currently, the Department is satisfied with the assessment data provided to the Department by LaPorte County; however, serious questions have been raised about the uniformity, equity, accuracy, and fairness of these assessments. These questions have caused the Department to take another look at the assessments in LaPorte County for 2006-pay-2007. These concerns were brought to the Department's attention on October 19, 2007 by LaPorte County resident, William H. Wendt. Mr. Wendt paid a private firm to conduct a sales-assessment ratio study for LaPorte County. The study was performed by Robert C. Denne of Almy, Gloudemans, Jacobs & Denne, Property Taxation and Assessment Consultants. Mr. Denne is a highly respected analyst who assisted the Indiana Fiscal Policy Institute (IFPI) from 2003 through 2005 with a county-by-county, parcel-level analysis of the 2002 reassessment in Indiana.

Mr. Denne's LaPorte County sales ratio study was based upon parcel and assessment data submitted from the county to the Department on June 4, 2007. The ratio study also analyzed the sales data reported by the county to the Department on September 5, 2007. Additionally, minor use was made of a copy of the county's assessment database, which was apparently obtained by Mr. Wendt or Mr. Denne in mid-June 2007.

On October 29, 2007, Mr. Wendt's Indianapolis attorney, Thomas Atherton, submitted a written request to the Department asking that a reassessment be ordered for LaPorte County due

to the results indicated in the Denne ratio study. The results of the Denne ratio study demonstrated that the assessments in LaPorte County fell outside the statistical ranges of acceptability under Indiana law. In his letter, Mr. Atherton cited Indiana Code sections 6-1.1-4-9; 6-1.1-4-31, *et seq*; and 6-1.1-33.5-1 as the authorities by which the Department may order a reassessment of LaPorte County.

As has been emphasized to LaPorte County officials and Mr. Wendt, no decision has been made on what actions, if any, the Department will take as a result of the request for a reassessment. The Department is still in the process of collecting and reviewing the relevant data in order to make an informed decision on whether to order a reassessment in LaPorte County.

2. Question: On what date did the Department surmise that existing data was unsatisfactory? What influenced this appraisal?

Response: The Department decided to take another look at the LaPorte County assessments shortly after October 19, 2007 when Mr. Wendt provided the Department with the sales ratio study conducted by Mr. Denne. The submission of this ratio study was followed by Mr. Atherton's written request for a reassessment of LaPorte County on October 29, 2007. In his letter, Mr. Atherton cited Indiana Code sections 6-1.1-4-9; 6-1.1-4-31, *et seq*; and 6-1.1-33.5-1 as the authorities by which the Department may order a reassessment of LaPorte County.

On November 7, 2007, the Department provided LaPorte County officials with the Denne ratio study. The Department also expressed concerns with county officials of what the study indicated. During the conversation with the county officials, the Department gave the county the opportunity to respond to the Denne ratio study. The deadline for a response was set for December 10, 2007.

On November 28, 2007, LaPorte County and Nexus Group, the county's vendor, submitted its response to the Denne ratio study. On December 2, 2007, the Department received the raw 2006-pay-2007 tax billing data submitted by LaPorte County for 2006-pay-2007. On December 4, 2007, the Department requested from Mr. Wendt all of the data used by Mr. Denne to create his October 2007 ratio study.

On December 10, 2007, the Department was notified that the tax billing data submitted by LaPorte County was deemed non-compliant by LSA. As a result, this data will be sent back to the county to be corrected.

It is the Department's intention at this time to review, analyze, and compare the county's March 2007 ratio study, the Denne ratio study of October 2007, and the county's December 2007 tax billing data. The Department believes such an analysis will assist in determining whether the assessments in LaPorte County are accurate, uniform, and equitable. However, without all of the data Mr. Denne used to create his ratio study and without compliant tax billing data from LaPorte County, the Department is unable to conduct its analysis at this time.

3. Question: Throughout the Department's certification process, does the Department weigh the interest costs of any delay? Are they considered in comparison to the aggregate, potential benefit of any further review?

Response: The Department's overwhelming interest is to ensure the laws of the State of Indiana are followed; specifically, Article 10, section 1 of the Indiana Constitution, which requires "a uniform and equal rate of property assessment and taxation" and regulations that "secure a just valuation for taxation of all property, both real and personal." The Department is required to follow the law and fulfill its statutory duties.

For example, Indiana Code section 6-1.1-31-1 grants the Department the authority to adopt rules concerning the assessment of tangible (real and personal) property. Indiana Code section 6-1.1-35-1 requires the Department to "see that all property assessments are made in the manner provided by law." Indiana Code section 6-1.1-4-4.5 requires the Department to "adopt rules establishing a system for annually adjusting [trending] the assessed value of real property to account for changes in value in those years since a general reassessment of property last took effect." These "trending" rules, which are found in 50 Indiana Administrative Code (IAC) 21, are required by statute to "promote uniform and equal assessment of real property within and across classifications." Also, the Department is statutorily obligated to "review and certify each annual adjustment" determined under the law. Lastly, Indiana Code section 6-1.1-4-31 requires the Department to "periodically check the conduct of ... work required to be performed by local officials under 50 IAC 21" and "other property assessment activities in the county, as determined by the department." The Department's rules regarding assessment are covered in Title 50, IAC.

Since no decision has been made on whether or not to order a reassessment in LaPorte County, the county officials must continue with their daily tasks and complete their statutory duties. The Department sees no reason why any county official should be delayed in doing their job at this time. No decision to order a reassessment has been made.

4. Question: Are any concerns about LaPorte County's assessments best left to existing appeals processes and legal remedies?

Response: Indiana Code section 6-1.1-15-1 permits a taxpayer to "obtain a review by the county board of a county [county property tax assessment board of appeals] or township official's action with respect to the assessment of the taxpayer's tangible property." However, the concerns raised by the Denne ratio study affect the uniformity, equity, and accuracy of the assessments of *all* taxpayers in LaPorte County, not just one taxpayer. As discussed above, the Department is statutorily required to ensure the annual adjustment process and other assessment procedures comply with Indiana law. The appeals process is a private right of a taxpayer, which may or may not be exercised. The Department simply cannot abdicate its responsibilities to the citizenry in the hope that possible countywide inequities and inaccurate assessments that violate the laws and administrative rules of the Department will be worked out through the appeals process.

5. Question: If the Department signed-off on an assessment, why should LaPorte County taxpayers bear the cost of a Departmental reversal?

Response: The Department approved LaPorte County's ratio study in March 2007 for 2006-pay-2007. That determination was based upon data provided to the Department from the county. A ratio study compares the County Assessor's estimate of value with objectively verifiable data, like sales of parcels. The Department reviewed the median, the coefficient of dispersion (COD), and price-related differential (PRD) in the ratio study submitted to the Department from the county for accuracy, uniformity, and equity of the assessments by classification (i.e., industrial, commercial, and residential) and by township.

In addition to the sales ratio study review process described above, the Department, at the direction of Governor Daniels, reviewed the County Assessor data set, which included the gross assessed valuation on *all* parcels in the county, not just those involved in sales. For 2006-pay-2007, this information was often times submitted six to eight months after the Department's approval of the county's sales-assessment ratio study. This Assessor data was reviewed by the Department's Assessment Division to determine the percent of change or no change between the parcels for the March 1, 2005 assessment date, which had a January 1, 1999 valuation date, and the March 1, 2006 assessment date, which had a January 1, 2005 valuation date. This analysis was conducted on every county and was done to verify whether or not the annual adjustment statute (Ind. Code § 6-1.1-4-4.5) and administrative rule were administered properly (50 IAC 21).

LaPorte County passed both of these analytical tests. However, the Denne ratio study has called into question the accuracy, uniformity, and equity of the assessments in LaPorte County. The Denne ratio study was presented to the Department on October 19, 2007 and uses data from the county's June 4, 2007 submission of parcel and assessment data to the Department and sales data reported to the Department by the county, as described above. This study, which was conducted by a reputable analyst, deserves appropriate attention.

As was stated above, it is the Department's intention at this time to review, analyze, and compare the county's March 2007 ratio study, the Denne ratio study of October 2007, and the county's December 2007 tax billing data. The Department believes such an analysis will assist in determining whether the assessments in LaPorte County are accurate, uniform, and equitable. However, without all of the data Mr. Denne used to create his ratio study and without compliant tax billing data from LaPorte County, the Department is unable to conduct its analysis at this time.

With regards to the cost of a reassessment, Indiana Code section 6-1.1-4-29 and Indiana Code section 6-1.1-4-31(i) place the expenses of a reassessment, except for the normal functions of the Department, on the county in which the reassessed property is situated.

6. Question: In layman's terms, what additional data is the Department seeking? Why is available data deficient?

Response: The Department needs the data used by Mr. Denne to create his October 2007 ratio study and compliant December 2007 tax billing data from the county in order to run a comparative analysis to determine whether the assessments in LaPorte County for 2006-pay-2007 were uniform, equitable, and accurate.

On December 2, 2007, the county submitted its raw 2006-pay-2007 tax billing data to the Department for review. Unfortunately, on December 10, 2007, the Department was notified that the tax billing data submitted by LaPorte County was deemed non-compliant by LSA. As a result, this data will be sent back to the county to be corrected.

On December 4, 2007, a request was made by the Department to Mr. Wendt to provide all of the data used in the Denne ratio study after it became apparent the Department was not in possession of all of the data utilized by Mr. Denne.

As an aside, it should be noted that the county's real property data for 2007-pay-2008, which was due to the Department by November 15, 2007 (extended from the statutory due date of October 1, 2007) has not been received as of this date. Ind. Code § 6-1.1-4-25; Ind. Code § 4-10-13-5.

As the Department has clearly indicated to LaPorte County and Mr. Wendt, it is critical that the Department, LaPorte County, and Mr. Wendt all have access to the exact same data for review and analysis purposes. It is the Department's hope that LaPorte County and Mr. Wendt share the same goal as the Department: to ensure a uniform and equitable property assessment system for the taxpayers of LaPorte County.

Thank you for your interest in this process. If you have other questions or concerns, please feel free to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Cheryl A. W. Musgrave", with a stylized, flowing script.

Cheryl A. W. Musgrave
Commissioner

Rushenberg, Tim

From: Frank Kelly [frank@nexustax.com]
Sent: Monday, December 17, 2007 6:46 PM
To: Rushenberg, Tim
Cc: Musgrave, Cheryl; Wood, Barry
Subject: Laporte Co., Wendt, etc.
Attachments: letter to Mellisa interference with business.doc

Dear Mr. Rushenberg,

Our last information from your office indicated that the current DLGF staff may not have access to some of the previous communications amongst all parties that relate to the matter at hand.

Specifically, attached is a letter I sent to then-Commissioner Henson requesting that then-staff member Lori Harmon cease and desist from perceived interference in business affairs. I believe the relevance and reason for reiteration of this information regards Ms. Harmon's deposition two weeks ago in the *Wendt v. Laporte County* situation. In the deposition, Ms. Harmon states that she is now employed at least to some degree and has received payment from Mr. Wendt for assistance with information, reviews, etc.

Upon my departure from the State Tax Board in late 1999, there were certain areas of assessment work that I was prohibited from working on, unless the agency provided a waiver on these specific issues and/or projects. Given the fact that Ms. Harmon was involved in the review of Laporte County's 2006 ratio study and our subsequent rebuttal to the first study conducted by Mr. Robert Denne, I was wondering if Ms. Harmon received such a waiver to allow her to work on 2006 assessment issues in Laporte County. Along the same vein, it would appear that such employment, baring a waiver, would be in conflict with: *IC 4-2-6-11 One year restriction on certain employment or representation; advisory opinion; exceptions*

Clearly, this is a matter that we, along with Laporte County, had thought and hoped was in the past. Hopefully, it will be again in the near future. Thanks for any information that you may be able to provide.

Regards,
Frank Kelly

Melissa K. Henson, Commissioner
Department of Local Government Finance
100 N. Senate Ave, N-1058B
Indianapolis, Indiana 46204

March 9, 2007

Re: Tortious Interference With Business Affairs

Dear Ms. Henson:

As the attached email documents, Mr. William Wendt informs an employee of Nexus Group that he contracted with Robert Denne of the firm *Almy, Gloudemans, Jacobs & Denne* at the suggestion of Lori Harmon, an employee of the Department of Local Government Finance (DLGF). If this is true, know that Nexus Group considers Ms. Harmon's actions to constitute intentional intermeddling with its business and contractual affairs and that we are prepared to take all necessary actions against the State, including the filing of a notice of tort claim.

Ms. Harmon's action recommends who a taxpayer should hire so that the taxpayer may disrupt LaPorte County's 2006 Ratio Study process (see attached letter on this subject to Mr. Barry Wood of the DLGF). Be informed that Ms. Harmon contacted Nexus on at least two occasions prior to her employment with the DLGF seeking employment with the company. Nexus did not hire her and as we have documented on prior occasions, her review of our work product appears to be unduly burdensome and inherently different than similar reviews of other vendors or county work product. Please contemplate her motives in this matter. Furthermore, it is particularly disturbing that Ms. Harmon or the DLGF would recommend that a taxpayer hire the same firm which had previously assisted the State of Indiana with its own statewide ratio study subsequent to the 2002 reassessment process. Assuming such a recommendation is not a direct conflict of interest, it absolutely creates the appearance of impropriety by attempting to generate financial gain for an out-of-state company with contractual ties to the State at the expense of local taxing units, taxing officials, and the remaining LaPorte County taxpayers.

As the attached letter explains, Mr. Denne's criticism of Nexus' work product is unfounded and contains critical inaccurate assumptions. To date, the DLGF has elected to delay LaPorte County's 2006 ratio study process in order to further understand the allegations raised by a few taxpayers at the expense of many others. Nexus Group strongly encourages you to rectify the current situation immediately and to approve the complete, accurate and thorough sales ratio study submitted by and on behalf of LaPorte County.

Regards,

Frank S. Kelly, President

STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE



INDIANA GOVERNMENT CENTER NORTH
100 NORTH SENATE AVENUE N1058(B)
INDIANAPOLIS, IN 46204
PHONE (317) 232-3777
FAX (317) 232-8779

December 21, 2007

The Honorable Carol McDaniel
LaPorte County Assessor
555 Michigan Avenue, Suite 204
LaPorte, IN 46350

Mr. Shaw R. Friedman
Friedman & Associates P.C.
705 Lincolnway
LaPorte, IN 46350

Mr. Thomas M. Atherton
Bose McKinney & Evans, LLP
135 North Pennsylvania Street
Indianapolis, IN 46204

Dear Ms. McDaniel and Gentlemen:

This letter is to outline the review process the Department of Local Government Finance ("Department") intends to take to ensure the assessment process in LaPorte County for 2006-pay-2007 was conducted in accordance with Indiana law. In order to ensure uniform, equitable, and accurate assessments in LaPorte County, it is the Department's intention to review LaPorte County's March 2007 sales-assessment ratio study, the Robert Denne sales-assessment ratio study from October 2007, and LaPorte County's recently submitted December 2007 tax billing data. The Department believes an analysis of the information from these three sources will assist in determining whether the assessments in LaPorte County are accurate, uniform, and equitable in accordance with Indiana law.

First, the Department intends to compare the results from the county's March 2007 ratio study with a sales-assessment ratio study the Department will create from the 2006-pay-2007 tax billing data submitted by the county to the Department on December 2, 2007. The new ratio study to be created by the Department with the tax billing data will be analyzed to determine whether the median, the coefficient of dispersion (COD), and price-related differential (PRD) fall within the ranges of acceptability as stated in Indiana law. This analysis will also allow the Department to compare the December 2007 tax billing data ratio study with the March 2007 ratio study to determine if there were any dramatic changes to the accuracy, uniformity, and equity of the assessments in LaPorte County during that nine month period.

Second, the Department intends to compare the gross assessed valuations for specific parcels that appear in the county's March 2007 ratio study, the October 2007 Denne ratio study, and the

The Honorable Carol McDaniel
Mr. Shaw R. Friedman
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county's December 2007 tax billing data. This parcel-level gross assessed valuation review will allow the Department to determine whether the assessed valuations for specific parcels dramatically changed at the various points analyzed by the three different studies.

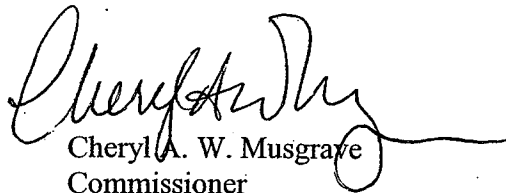
Unfortunately, the Department is unable to complete its intended analysis as described above at the current time for two reasons. First, on December 4, 2007, the Department requested from Mr. Wendt all of the data Mr. Denne used to create his October 2007 ratio study. During the Department's analysis of the Denne ratio study, it became apparent the Department was not in possession of all of the data Mr. Denne used. Mr. Wendt has not yet provided this data to the Department as requested; thus, the Department hereby renews its request of Mr. Wendt to provide the data. The Department requests this data be provided by Monday, January 7, 2008. Second, the county's 2006-pay-2007 tax billing data, which it submitted to the Department on December 2, 2007, was deemed non-compliant by the Legislative Services Agency (LSA) on or about December 10, 2007. As a result, this data cannot be analyzed until it is deemed compliant.

Once the Department receives and analyzes the requested data, the Department will share the results of its aforementioned analysis with Mr. Wendt and Ms. McDaniel. Shortly thereafter, the Department intends to bring both parties together to discuss the results and any other relevant information, including the previously submitted response from Nexus Group, which may affect the Department's decision on whether to order a reassessment of LaPorte County. It is the Department's intent that once this abovementioned review process is completed, a decision on whether to order a reassessment of LaPorte County will be made shortly thereafter.

As the Department has clearly indicated to LaPorte County and Mr. Wendt from the very beginning of this review process, it is critical that the Department, LaPorte County, and Mr. Wendt all have access to the exact same data. In this letter, the Department has detailed the data and information it will examine to assist in making a decision on whether to order a reassessment of LaPorte County. It is the Department's hope that Ms. McDaniel and Mr. Wendt share the same goal as the Department: to ensure uniform and equitable property assessments for the property taxpayers of LaPorte County.

If you have other questions or concerns, please feel free to contact the Department's General Counsel, Timothy J. Rushenberg, at (317) 233-6770 or trushenberg@dlgf.in.gov.

Sincerely,


Cheryl A. W. Musgrave
Commissioner

STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE



INDIANA GOVERNMENT CENTER NORTH
100 NORTH SENATE AVENUE N1058(B)
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January 17, 2008

The Honorable Carol McDaniel
LaPorte County Assessor
555 Michigan Avenue, Suite 204
LaPorte, IN 46350

Mr. Shaw R. Friedman
Friedman & Associates P.C.
705 Lincolnway
LaPorte, IN 46350

Mr. Thomas M. Atherton
Bose McKinney & Evans, LLP
135 North Pennsylvania Street
Indianapolis, IN 46204

Dear Ms. McDaniel and Gentlemen:

This letter is to provide an update on the progress of the Department of Local Government Finance's ("Department") review of the 2006-pay-2007 assessments in LaPorte County. This letter is also to notify Mr. Atherton that the Department needs additional information from his client, William H. Wendt, to properly complete its analysis, and to inform LaPorte County that its December 2007 (2006-pay-2007) tax billing data is still non-compliant as determined by the Operations Division of the Department and the Legislative Services Agency (LSA).

As I notified all parties on December 21, 2007, the Department intends to compare the results from LaPorte County's March 2007 (2006-pay-2007) ratio study with a ratio study the Department will create from the December 2007 (2006-pay-2007) tax billing data submitted by the county. Second, the Department intends to compare the gross assessed valuations for specific parcels that appear in the county's March 2007 (2006-pay-2007) ratio study, the October 2007 Denne ratio study, and the county's December 2007 (2006-pay-2007) tax billing data.

The Department has an analyst within the Assessment Division assigned to analyze and compare the county's March 2007 (2006-pay-2007) ratio study with the data provided by Mr. Denne on December 27, 2007. This analyst is currently conducting this analysis and review. However, it has become apparent that more information is needed about the Denne study.

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Mr. Thomas M. Atherton
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Specifically, the Department needs the actual ratio study created by Mr. Denne. As stated above, Mr. Denne provided several data files to the Department on December 27, 2007. At the time the Department received the files, the Department thought it had all the information it needed to complete the intended analysis described above. However, as the review of the December 27, 2007 data progressed, it became clear that more information was needed about the Denne study.


Specifically, the Department needs the sales and assessed value information and the manner in which Mr. Denne computed the ratios in his study. The Department needs the worksheet that contains the details of how the coefficient of dispersion (COD), price-related differential (PRD), and median were computed by Mr. Denne. Currently, the Department only has a summary sheet of Mr. Denne's conclusions. This information is needed for the Assessment Division to be able to compare the Denne ratios with the county's ratios. The Department must have this material provided to it by Mr. Wendt on or before **January 24, 2008**.

Additionally, as of the date of this letter, the county's December 2007 (2006-pay-2007) tax billing data is still non-compliant as determined by LSA and the Operations Division of the Department. As a result of this non-compliance, the Department is unable to compare the gross assessed valuations for specific parcels that appear in the county's March 2007 (2006-pay-2007) ratio study, the October 2007 Denne ratio study, and the county's December 2007 (2006-pay-2007) tax billing data, or create a ratio study from the December 2007 (2006-pay-2007) tax billing data. The Department implores county officials, particularly the County Auditor, to keep in contact with the analysts from the Operations Division of the Department so that the reasons for the non-compliance may be corrected as soon as possible.

Once the requested information is received, it is the Department's intention to complete its analysis in a manner that is both timely and thorough. It is the Department's goal to ensure uniform and equitable property assessments for the property taxpayers of LaPorte County.

If you have other questions or concerns, please feel free to contact the Department's General Counsel, Timothy J. Rushenberg, at (317) 233-6770 or trushenberg@dlgf.in.gov.

Sincerely,

A handwritten signature in black ink, appearing to read "Cheryl A. W. Musgrave", with a long horizontal flourish extending to the right.

Cheryl A. W. Musgrave
Commissioner

Rushenberg, Tim

From: Robert C. Denne [rcdenne@comcast.net]
Sent: Thursday, January 24, 2008 11:14 PM
To: Davis, Everett; Rushenberg, Tim; Waddell, Julie; 'Atherton, Thomas'; 'William H. Wendt'; rdenne@chicagogsb.edu
Subject: RE: Laporte County 2006 Ratio Study Data (2)
Attachments: Valid2006TransactionsWithParcelDetail.xls

Everett, et al.

Attached is a supplemental worksheet to the one I sent this afternoon. This attachment includes the parcel-identification detail for all of the 2006 sales that were identified in this afternoon's worksheet only by means of a transaction ID rather than each Parcel ID. None of the 2004 and 2005 sales had multi-parcel sales info, and you already have parcel identifiers for them, so this worksheet completes the parcel identification issue. In addition it has details of the exact sale date, not just month and year, and has detail of the property class and assessments (Land, Improved, and Total), although the latter are presumably as of the date of sale rather than as of the assessment date, so I relied on the file sent this afternoon as the authoritative source for such matters. This attachment, as I noted, has parcel detail as well as transaction-level data. To make the structure explicit, I have created a subtotal line for each transaction. If you don't want subtotals, they are easily removed. Call me if you need help doing so. I assume you will be able to handle the marrying of the two files if you decide you need to merge them.

Together with the earlier submissions, I think this probably completes the data that you'll need to replicate my results. The SPSS materials I sent you should let you replicate everything from October 19, tables and graphs included, although to get the pretty formatting for the tables you'd have to do some hand work in Excel, just as I had to do.

Let me know if you need anything more, and good luck.

Bob

P.S. -- Since email delivery seems to be flaky, I'd again appreciate confirmation of your receipt of this. I got a confirmation from Tim for this afternoon's second try, but nothing from you. Tim may find it advisable to confer with you to see if you received either or both of the installments, and perhaps forward his copy if not.

**BOSE
McKINNEY
& EVANS LLP**

ATTORNEYS AT LAW

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January 24, 2008

Mr. Timothy Rushenberg
General Counsel
Department of Local Government Finance
Indiana Government Center North
100 North Senate Avenue, Room N1058
Indianapolis, IN 46204

Re: LaPorte County Ratio Studies

Dear Mr. Rushenberg:

On behalf of Mr. William Wendt, I submit the following response to the November 28, 2007 letter from the Nexus Group to Commissioner Musgrave (the "Nexus Letter").

The issue before the DLGF is whether the 2006 assessments in LaPorte County meet the standards of 50 IAC 21-1-1 *et seq.* The department has been presented with conflicting evidence in the form of LaPorte County's sales ratio study prepared by Nexus and the October 19, 2007 analysis of that study by Almy, Gloudemans, Jacobs & Denne (the "Denne Report"). The November 28, 2007 Nexus Letter contained numerous factual and analytical errors and failed to substantiate the LaPorte sales ratio study. The first portion of this letter briefly summarizes the positions of Nexus and the Denne Report and clarifies the analytical differences between the LaPorte sales ratio study as outlined in the Nexus letter and the Denne Report. The second

Mr. Timothy Rushenberg
January 24, 2008
Page 2

portion of this letter presents information concerning "sales chasing" that invalidates the results of the LaPorte ratio study.

Looking past the irrelevancies and hyperbole that occupy much of the Nexus Letter, Mr. Kelly and Mr. Wuensch allege that the Denne Report contains three related errors. The first alleged error is that "...sales from 2004 and 2005 only should have been used to measure assessment quality." Nexus Letter p. 5. The second alleged error is simply a corollary of the first, namely, that the Denne Report used too few of the 2004-2005 sales: "[a]gain, the sales database provided to Mr. Denne/Wendt and to the DLGF comprises about 2900 valid sales from the 2004-2005 time period. Mr. Denne's October report uses only 472 of these valid sales." Nexus Letter p. 6. The third alleged error is that "Denne implicitly invokes a new standard on Indiana assessment performance. He opines that one should take subsequent data outside the two years preceding the assessment date per 50 IAC 21 and utilize that data as the performance standard. In other words, 2006 sales data is the definitive test of the quality of 2006 assessment data." Nexus Letter p. 6. Tellingly, Nexus does not say where Mr. Denne "opines" such a position. The alleged errors are discussed below.

The first and second alleged errors. These purported errors can be analyzed together as they are both premised on the same allegation: that there were thousands of valid 2004 and 2005 sales, hence it was error to look at the 2006 sales. Indeed, it seems curious at first glance that while the county identified thousands of purportedly valid 2004 and 2005 sales, the Denne Report used less than 500 of them. The answer is not, as Nexus suggests, that Mr. Denne's analysis was based on "negligence of basic annual adjustment procedures as outlined in Indiana

Administrative Code.” Instead, the answer is that Mr. Denne understood and followed the IAAO Standards on ratio Studies which are incorporated by reference into the Indiana Administrative Code by 50 IAC 21-3-1, whereas Nexus did not. Contrary to Nexus’ assertion, under the IAAO Standards, there were not thousands of valid sales.

For background purposes, Standard 4.3 provides in pertinent part:

The basic physical characteristics of each property used in the ratio study must be the same when appraised for tax purposes and when sold or appraised by the review agency.... In the case of parcels with new improvements, for example, it is important to avoid matching sales prices of vacant lots against appraised values that include new construction, although such sales could be used in a ratio study for vacant land by using the appraised value of the land only. Besides new improvements, parcels should be checked for significant physical additions, renovations, or demolitions between the dates of assessment and sale. In general, parcels with such changes should be excluded from ratio studies. However, minor physical changes should not cause a parcel to be excluded. *Accord:* 2007 Standards 3.4 and 4.1.4

The Denne Report explains that one of its goals was “to ensure that the parcel as assessed was identical to the parcel as sold.” This mirrors the requirements of IAAO Standard 4.3. The reasons behind Standard 4.3 are straightforward. If, for example, a taxpayer bought a two bedroom house in 2004, but thereafter added a third bedroom assessable in 2006 pay 2007, it would be inappropriate to compare the 2004 sale price to the 2006 assessment because the 2004 sale would not provide meaningful information about the validity of the 2006 assessment.

The reason that so many 2004 and 2005 LaPorte sales were excluded from the Denne Report is because the properties’ physical condition – as reflected on LaPorte County’s own records – changed between the date of assessment and the date of sale.

The Denne Report explains that, “[t]he field for ‘significant changes’ in the sales files submitted to DLGF for these years could not be used for this purpose [to verify whether there had been significant physical changes between assessment and sale] inasmuch as all records had blanks in this field, as was also the case with the extra parcel identifier fields.” Denne Report p.

7. Since Nexus’ LaPorte data were insufficient,

Special measures were required, however, to ensure that the parcel as assessed was identical to the parcel as sold, which were as follows. A copy of the assessor’s database was obtained, which included both the current and all historical versions of the parcel records for over a decade. A special program was written to extract the dates and changes to each parcel’s recorded objective physical characteristics over that time period, and write them to a new file. That new file was then used to eliminate from further analyses any parcel that was sold in 2004 or 2005 but recorded as having had revised physical characteristics in the period between the time of sale and the time of assessment. *Id.*

In summary, it was impossible to tell from LaPorte’s submitted data whether the properties were physically the same when sold as when assessed. However, a detailed review of the assessor’s own records showed that most of the 2004 and 2005 sales submitted by LaPorte experienced changes in physical characteristics between the date of the assessment and the date of sale. Most of LaPorte’s data simply did not meet the requirements of IAAO Standard 4.3: “The basic physical characteristics of each property used in the ratio study **must** be the same when appraised for tax purposes and when sold.” (*Emphasis added*). As a result, contrary to the unsupported assertion by Nexus that there were thousands valid sales from 2004 and 2005, there were not. Faced with an inadequate data population, Mr. Denne then examined 2006 sales and trended them for time. This practice is specifically approved by both the IAAO Standards and 50 IAC 21-3-3 (c) (“If the sales data available is insufficient to satisfy the IAAO standard, the

local assessing official may use sales from earlier or more recent time periods, or both, by adjusting and time trending the sales data as described in the IAAO standard.” (emphasis added)).

The problems with physical changes to the sales are set out on page 7 of the Denne Report. The Nexus letter does not challenge Mr Denne’s findings that a review of the assessor’s records shows a multitude of changes in physical characteristics between the date of assessment and the date of sale. Nor does Nexus challenge the requirements of IAAO Standard 4.3. Instead, Nexus challenges Mr. Denne’s motives and knowledge. The factual basis of Denne’s criticism is unimpeached.¹

The third alleged error. The third allegation is that Mr. Denne has “invoke[d] a new standard on Indiana assessment performance [under which] 2006 sales data is the definitive test of the quality of 2006 assessment data.” Nexus Letter p. 6. It is probably sufficient to point out that the Denne Report never makes such a suggestion and no fair reading of the Denne Report could reach that conclusion. As pointed out above, Mr. Denne attempted to use 2004 and 2005 sales data, but too many of the sales had to be rejected because of property-specific changes reflected in the assessor’s records. In order to obtain a sufficient sample size, he augmented the valid 2004 and 2005 sales data with 2006 sales data. This is not the invocation of a new standard; it is application of the correct standard. See 50 IAC 21-3-3(c).

¹ Nexus’ only defense of the data is that since the DLGF marked the LaPorte data as “compliant,” “obviously all required fields were included for every valid sale.” The fact that the DLGF may have initially accepted LaPorte’s misrepresentations about the quality of its data cannot now be used as a defense to shield from review the errors in such data as revealed by the Denne Report.

Putting aside Nexus' unfounded assertions regarding the appropriate "standard," the Nexus Letter admits that the results obtained by evaluating the 2006 sales reveals errors in the LaPorte assessments. Nexus admits: "*Denne's October report, even though comprised mostly of sales from the 2006 time period, is vastly similar to our own preliminary analysis of LaPorte County (not contained herein).*" (Nexus Letter P. 10 Underscore added, italics in original.) The "vastly similar" Nexus studies using 2006 sales indicate that "many property classes in LaPorte County require further stratification, delineation, and re-examination" for 2007. Yet the plain facts are that the data errors that underlie the acknowledged poor results are not amenable to remediation by any process of stratification and trending, and that Indiana law specifically requires a reassessment in instances, such as here, where the coefficients of dispersion are unacceptable. 50 IAC 21-11-1. The effort of the county and Nexus to conceal such errors in light of their own "vastly similar" studies using 2006 sales is inequitable and contrary to Indiana law. One cannot cure the problems and errors in the piecemeal fashion Nexus proposes.

Qualifications of the Analysts. Pages 11 and 12 of the Nexus letter contain a largely self-congratulatory section entitled "**Qualifications of the Analysts.**" Ultimately, it is the quality of the data and analysis that is important rather than qualifications of the analyst. However, because Nexus devotes so much of their response to *ad hominem* attacks on Mr. Denne, I wanted to provide some unbiased sources in evaluating Mr. Denne's knowledge and qualifications. Mr. Denne is one of the IAAO members specifically acknowledged in the IAAO's text, *ASSESSMENT ADMINISTRATION*, International Association of Assessing Officers, 2003. Mr. Denne, along with other members of the IAAO Technical Standards Committee, is acknowledged with "special

thanks” in the 2007 Edition of the IAAO’s Standard on Ratio Studies. Moreover, Mr. Denne has been a pivotal player in the development and adoption of the IAAO Standards from their very inception.

The August 2007 edition of the IAAO’s magazine, *FAIR AND EQUITABLE*, focused on sales ratio studies. In the cover article entitled “The Journey to Revise the IAAO Standard on Ratio Studies,” Peter Davis, who chaired the IAAO’s Technical Standards Committee, wrote:

[I]n 1976, IAAO teamed up with the Lincoln Institute of Land Policy to sponsor a symposium on “Analyzing Assessment Equity.” A by-product of that meeting was the publication of the proceedings, which brought the association another step closer to an industry standard on ratio studies. Several participants at that conference are still very active members of IAAO today. Richard Almy was Director of the Research and Technical Services Department, Robert (Bob) Gloudemans held the title of Research Associate, and Robert Denne served as Research Associate and Librarian for IAAO. These three individuals played critical roles in the promotion and development of the first ratio study standard. They also have participated in every revision to the standard since then, including this most recent one. During the late 1970s, Almy, Gloudemans, and Denne, along with Stuart Miller, authorized a comprehensive reference manual for IAAO, titled *Improving Real Property Assessment* (IAAO 1978). That text was the first to devote a chapter to assessment ratio studies and measurements of assessment performance. (Emphasis added).

In a side bar to the article, “The Journey to Revise the IAAO Standard on Ratio Studies,” the members of the technical advisory committee are identified and Mr Denne is described as follows:

Robert Denne is another well-respected consultant with Almy, Gloudemans, Jacobs, & Denne. Robert joined the ad hoc Ratio Study Technical Advisory Subcommittee in 2006. He has a diverse background in ratio studies and mass appraisal and has been an important contributor to IAAO for more than 30 years.

I was unable to find any reference to Dr. Kelly, Mr. Wuensch, or Nexus in any of these publications.

Summary -- Part 1 Ultimately, the DLGF will have to evaluate the strengths and weaknesses of the information it has received in light of the *facts* on which each submission is based. Mr. Denne has submitted report(s) based on the data supplied by LaPorte County itself, and he has evaluated the LaPorte County data and sales ratio study pursuant to the IAAO Standards that are incorporated into Indiana law. By contrast, the Nexus response is comprised largely of unfounded *ad hominem* attacks and unsupported assertions regarding the requirements of Indiana law. Most importantly, the IAAO Standard requires that, "the basic physical characteristics of each property used in the ratio study must be the same when appraised for tax purposes and when sold." The LaPorte ratio study does not satisfy this mandate and, therefore, is not a valid study under 50 IAC 21-3-1.

Part Two - Sales Chasing

50 IAC 21-3-1 provides, "[l]ocal assessing officials shall perform all ratio studies using the methods or combination of methods acceptable under the [1999] Standard on Ratio Studies published by the International Association of Assessing Officers (IAAO standard) or other acceptable appraisal methods approved by the department." As will be shown below, sales ratio studies that involve sales chasing do not comply with the IAAO Standard and consequently do not meet the requirements of 50 IAC 21-3-1.

Section 15 of the Standard describes sales chasing as follows.

Sales chasing is the practice of using the sale of a property to trigger a reappraisal of that property at or near the selling price. Sales chasing causes invalid uniformity results in a sales ratio study and causes invalid appraisal level results unless similar unsold parcels are reappraised by a method that produces an appraisal level for unsold properties equal to the appraisal level of sold properties.

Thus, if a ratio study involves sales chasing, the both the uniformity and appraisal level results are "invalid" unless the unsold parcels are reappraised.

Section 10 of the IAAO Standard expounds on why sales chasing can invalidate ratio studies:

The objective of a ratio study is to determine appraisal performance for the population of properties. As long as sold and unsold parcels are appraised in the same manner, statistics calculated in a sales ratio study can be used to infer appraisal performance for unsold parcels. However, if parcels that sell are selectively reappraised based on their sales prices or some other criterion (such as listing price), sales ratio study uniformity measures will not be valid (appraisals will appear more uniform than they are). In this situation, measures of appraisal level will also be invalid unless similar unsold parcels were reappraised by a method that produces the same percentage of market value (appraisal level) as on the parcels that sold. Assessing officials must ensure that sold and unsold parcels are treated equally. Several techniques are available for determining whether assessors are selectively appraising sold parcels (see IAAO [1990, appendix 20-2] and Gloudemans [1999, chapter 6]) for a more detailed discussion).

If unsold properties are not appraised consistently with sold properties and applicable guidelines, unadjusted sales ratio results cannot be used. The oversight agency will have to adjust calculated results or conduct an alternative study (see section 10.7). In addition, the appraisal agency should be ordered to cease the unprofessional practice of sales chasing and to reappraise all property on a consistent basis using applicable standards and guidelines. (Emphasis added.)

Since an apparently valid ratio study could in fact be invalid if it involved sales chasing, I asked Mr. Denne to analyze the LaPorte sales ratio study to determine whether the data indicate sales chasing. The statistical analysis of LaPorte's ratio study reveals that there is a greater than

99% level of confidence that sales chasing occurred. A copy of that analysis is attached as Exhibit A.

A few explanatory comments may be in order. Table 1 examines the LaPorte data in three ways: (a) with all the data; (b) with the extremes trimmed; and (c) with outliers trimmed. Mr. Denne presents all three “in order to help establish the sensitivity of the test,” but suggests that method (a) is the best way to analyze the data. The most important point, however, is that (a), (b), and (c) all indicate with a degree of confidence in excess of 99% that the LaPorte study involved sales chasing. To paraphrase the IAAO Standard, “since unsold properties [were] not appraised consistently with sold properties and applicable guidelines, [the] unadjusted sales ratio results cannot be used.”

Table 2 provides confirming evidence. It examines the extent to which adjustments were made to subjective factors such as grade in the sold and unsold properties. Again the p-value² demonstrates that for the county as a whole and for 13 townships, one can be 99% confident that the subjective factors were handled differently for sold and unsold properties. In an additional 3 townships, one can be 95% certain that subjective factors were handled differently for sold and unsold properties.

Summary – Part II. One can be confident to a 99% degree of certainty that sold and unsold properties were treated differently by the LaPorte assessing officials. This practice makes the LaPorte study in violation of the both the standards and 50 IAC 21-3-1. Ultimately, La Porte

² The p-values in Table 1 are computed using the Mann-Whitney test, while the p-values in Table 2 were computed using the chi square test, which is more appropriate since Table 2 involves “count data.” Both tests are standard statistical analyses referred to in the Standard, and both results are interpreted the same; that is, the lower the indicated value, the more unlikely it is that the differences are caused by chance.

Mr. Timothy Rushenberg
January 24, 2008
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County has not provided a valid or persuasive ratio study. The only ratio study that meets the Standard and 50 IAC 21-3-1 is the one provided by Mr. Denne. That study demonstrates multiple failures in LaPorte County assessing performance that under the terms of 50 IAC 21-11-1 require a reassessment.

Very truly yours,

Thomas M. Atherton

TMA:
Enclosure

Sales Chasing in LaPorte County for Pay 2007 Assessments

Sales chasing, more formally known as the selective reappraisal of sold properties stimulated by the sale of the property, results in recently sold properties not being appraised commensurately with those that have not been recently sold. In addition to generating inequitable differences between recently sold properties and those not recently sold, sales chasing also invalidates the best tool available for judging the quality of assessment performance, namely the assessment sales ratio study, because the assessments in the ratio study are not representative of the assessments in the jurisdiction being analyzed. Thus it is prudent to test assessments and ratio studies to see whether there is evidence of sales chasing. The results of the 2006 pay 2007 reassessment of LaPorte County were analyzed for this purpose, and the results are reported below. In general it is clear that there is some degree of sales chasing present in the county, although not all townships engage in the practice. It affects the county on an overall basis and is clearly evident in roughly half of the townships, including the two largest ones, and so indirectly affects the equity of the entire county.

A standard test for sales chasing involves the comparison of two sets of percentage changes in assessed values, from the year before the reassessment to the year after it: (1) those for properties that were sold and used in the ratio study and (2) those that were not sold. In order to avoid contaminating the comparison with confounding assessment changes, such as those resulting from new construction, all properties affected by new construction or new parcel creations (e.g. parcel splits) were excluded from the comparison, as were all properties that had a change in their property class between the two years or between the sale date and the assessment date. Table 1 presents the results of such an analysis. Presented there are summaries of the percentage changes in assessed value (before exemptions, etc.) for sold and unsold properties for the Pay 2007 reassessment, along with a summary of the difference between them. Three summary measures are presented: the simple mean (or average) percentage change, the five-percent-trimmed mean (which is often used to avoid distortions caused by extreme values), and the median (which can also be thought of as the fifty-percent-trimmed mean). In addition to the summary measures, the table reports p-values from a Mann-Whitney test to determine whether the two sets of percentage changes are likely to have arisen by chance alone from a single underlying population, in which case the p-value will be high, or, in contrast, whether the different percentage changes indicate differences between the two sets not likely to have arisen by sampling variation alone. The test takes into account the sizes of the samples and their variability, skewness, and centrality. Mann-Whitney test p-values near zero suggest that the observed differences between the two sets of data are unlikely to have arisen only by chance.

In the IFPI study the issue of sales chasing was addressed in an assembly line fashion given the constraints imposed by time and the available data sets. For that study two criteria were required for a jurisdiction to be thought likely to have engaged in sales chasing: the p-value from the Mann-Whitney test had to be less than 0.05 and the median percentage change for sold properties had to exceed the median percentage change for the unsold properties by five percent. It probably understated the

reality. The IAAO standard on ratio studies does not establish specific statistics or thresholds in this regard.

Sales chasing does not have to encompass all sold parcels to be pernicious, especially if a small but significant portion of the parcels in the jurisdiction is affected by bad data on property characteristics. In such a case, which may well obtain here, there are two interests to balance: preventing a few aberrant values from dominating a summary statistic like the mean and using statistics sensitive enough to be able to detect problems that may affect a tenth or a quarter of the parcels in a jurisdiction, but not necessarily half of them. In contrast to the mean, which can be affected by a single extraordinary value, the median is insensitive to all values except for the one (or two) in the middle. Thus neither is an ideal measure of potentially subtle differences between two data sets. For this purpose the five-percent-trimmed mean is probably best, although Table 1 presents all three statistics for readers who want to consider the more familiar alternatives. For similar reasons, some controversy may surround the issue of whether to base the analysis on all qualified data, as is done in the top third of Table 1, or instead to trim extremes or even all outliers from the data before running the analysis, as is done in the lower panels of the table. All three alternatives are presented, in order to help establish the sensitivity of the test, but conceptually, given the screening of the data to remove the effects of new construction, splits, changes in use, and the like, the first is optimal, although the analysis with the elimination of extremes may be appropriate if one thinks other causes of anomalies may have been overlooked. The elimination of outliers, in addition to being conceptually unsound, serves to wash out important differences affecting a limited portion of the data sets. At the overall-county level, disparate treatment of sold and unsold property ("sales chasing") is indicated at a confidence level well in excess of 99 percent in all three panels of Table 1, i.e. whether all the data are analyzed in their entirety or the data are trimmed of extremes or outliers. For the top two panels of Table 1, any statistically significant finding is also practically significant in the sense that the difference between the five-percent-trimmed means of the sold and unsold properties is at least five percent, analogous to the requirement in the IFPI study.

Table 2 explores the mechanism by which the subtle form of sales chasing is usually put into effect, namely by assessors changing subjective descriptors of properties that sold but were not well appraised. Six subjective variables were available in the standard data sets provided annually by the county to DLGF in the so called Improvement file: grade, condition, effective year built, a neighborhood quality code, physical depreciation, and obsolescence depreciation. These were analyzed as a set to see whether there was a greater tendency for assessors to change them for sold properties than for unsold properties. Doing so would afford assessors a convenient means of bringing the sold properties' assessments into line with their sale prices, although the practice would amount to illegitimate sales chasing if similar unsold properties were not treated similarly. As is indicted in Table 2, well over half of the townships, and the county as a whole, show a differential tendency to update subjective variables as between sold and unsold properties when the usual precautions are taken to exclude new construction and new parcels from the analysis. For the county as a whole, sold properties are 62 percent more likely to have experienced changes to such recorded characteristics if they were sold than if they were unsold, and in some townships the increased probability exceeded 800 percent, as shown in the table. The

table also gives a hint of the incidence of the sales chasing problem. Countywide, about 34 percent of the sold properties had adjustments made to the records of their subjective characteristics, while only about 21 percent of the unsold properties were so treated. As a first approximation, then, we may estimate that perhaps 10-20 percent of the parcels in the jurisdiction have defective descriptive characteristics that were addressed by making changes to recorded characteristics to bring their appraised values into line with the values suggested by their sales prices.

If the 10-20 percent estimate of the incidence of defective data on property characteristics is accurate, it would easily explain why the results of the county's ratio study differ so dramatically from the results obtained when sales from 2006 were considered. The county's final ratio study used only sales from 2004-2005, which these analyses suggest were highly likely to have been affected by sales chasing. When subsequent sales were used as the standard, the previous results showing compliance with standards changed radically. Not only did the performance results reported in the memo of October 19, 2007 differ from the county's final report, but the county's memo of November 28 notes that its own internal study generated similarly negative results when sales from 2006 were used.

In summary, it seems highly likely that assessments in LaPorte County are affected by sales chasing and that the practice of sales chasing may well explain the contrast between the assessment performance measures indicated by the county's final ratio study and the results reported in the memo of October 19, 2007.

Table 1
Comparison of Percentage Changes In Assessed Values, Pay 2006 to Pay 2007,
Between Properties in the LaPorte County Final 2006 Ratio Study (11/30/2007)
And Properties Not Sold Since 1/1/2004, Excluding New Construction and New Parcels

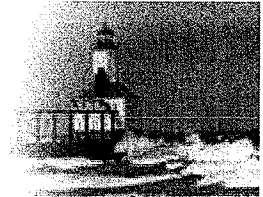
			Summary Percentage Changes			Summary Percentage Changes			Difference of Summary Changes:		
			Unsold Parcels			Sold Parcels			Sold - Unsold		
			5%			5%			5%		
			Trimmed			Trimmed			Trimmed		
P-value from Mann-Whitney test			Mean	Mean	Median	Mean	Mean	Median	Mean	Mean	Median
No Trimming											
County	OVERALL	0.000 **	22.40	17.41	12.66	32.88	26.34	17.10	10.48	8.93	4.44
1	Cass Twp	0.047 *	7.59	5.07	3.68	16.64	16.30	7.13	9.05	11.23	3.45
2	Center Twp	0.000 **	9.03	8.36	7.20	17.69	15.21	8.51	8.66	6.85	1.31
3	Clinton Twp	0.885	22.03	17.74	17.77	31.37	27.30	21.26	9.34	9.56	3.49
4	Coolspring Twp	0.000 **	19.59	16.78	14.08	43.47	36.82	26.47	23.88	20.04	12.39
5	Dewey Twp	0.265	19.01	14.90	9.76	17.17	13.65	-0.40	-1.84	-1.25	-10.16
6	Galena Twp	0.000 **	30.87	25.65	20.49	72.09	66.66	48.72	41.22	41.01	28.23
7	Hanna Twp	0.000 **	34.53	29.49	25.99	73.50	74.54	76.75	38.97	45.05	50.76
8	Hudson Twp	0.965	18.07	14.61	12.13	23.80	21.75	13.10	5.73	7.14	0.97
9	Johnson Twp	0.023 *	8.83	8.30	7.35	NA	NA	NA			
10	Kankakee Twp	0.001 **	10.91	7.72	4.99	20.65	17.11	12.23	9.74	9.39	7.24
11	Lincoln Twp	0.260	23.58	18.65	13.06	50.08	42.65	28.76	26.50	24.00	15.70
12	Michigan Twp	0.000 **	35.20	30.98	20.92	44.32	38.96	27.49	9.12	7.98	6.57
13	New Durham Twp	0.067	20.94	16.60	14.70	23.55	21.23	17.09	2.61	4.63	2.39
14	Noble Twp	0.081	30.77	27.54	23.11	41.30	41.61	32.07	10.53	14.07	8.96
15	Pleasant Twp	0.500	17.36	15.55	15.51	18.61	16.69	13.86	1.25	1.14	-1.65
16	Prairie Twp	0.244	16.80	14.91	13.62	NA	NA	NA			
17	Scipio Twp	0.000 **	10.35	9.40	8.14	16.59	16.45	16.16	6.24	7.05	8.02
18	Springfield Twp	0.000 **	35.67	26.08	15.34	80.95	65.93	40.80	45.28	39.85	25.46
19	Union Twp	0.100	15.40	12.24	9.84	37.66	16.04	15.15	22.26	3.80	5.31
20	Washington Twp	0.002 **	12.82	10.77	8.99	71.00	67.96	40.50	58.18	57.19	31.51
21	Wills Twp	0.489	11.47	9.00	7.85	9.80	9.90	10.32	-1.67	0.90	2.47
Extremes Trimmed											
County	OVERALL	0.000 **	15.76	14.44	11.80	20.58	19.73	14.54	4.82	5.29	2.74
1	Cass Twp	0.035 *	5.16	4.88	3.63	16.64	16.30	7.13	11.48	11.42	3.50
2	Center Twp	0.000 **	8.72	8.29	7.17	15.53	14.34	8.24	6.81	6.05	1.07
3	Clinton Twp	0.708	17.92	16.61	16.93	20.29	19.25	12.56	2.37	2.64	-4.37
4	Coolspring Twp	0.005 **	16.94	16.26	13.86	23.86	23.61	22.39	6.92	7.35	8.53
5	Dewey Twp	0.200	13.35	12.69	9.07	11.25	9.73	-2.39	-2.10	-2.96	-11.46
6	Galena Twp	0.095	23.89	22.62	19.76	33.99	32.91	25.74	10.10	10.29	5.98
7	Hanna Twp	0.002 **	27.98	27.45	25.37	50.92	54.38	69.87	22.94	26.93	44.50
8	Hudson Twp	0.650	15.19	13.67	11.94	16.06	15.52	12.60	0.87	1.85	0.66
9	Johnson Twp	NA	8.83	8.30	7.35	NA	NA	NA			
10	Kankakee Twp	0.000 **	8.68	7.09	4.89	17.47	15.77	11.83	8.79	8.68	6.94
11	Lincoln Twp	0.317	17.38	16.02	11.86	14.36	12.99	6.08	-3.02	-3.03	-5.78
12	Michigan Twp	0.000 **	22.87	21.80	16.98	27.61	27.34	21.97	4.74	5.54	4.99
13	New Durham Twp	0.052	16.51	15.60	14.44	21.32	19.46	16.96	4.81	3.86	2.52
14	Noble Twp	0.207	27.02	26.17	22.46	34.58	34.49	29.58	7.56	8.32	7.12
15	Pleasant Twp	0.483	15.47	15.19	15.47	16.70	16.04	13.59	1.23	0.85	-1.88
16	Prairie Twp	0.222	15.45	14.58	13.40	NA	NA	NA			
17	Scipio Twp	0.000 **	9.89	9.36	8.00	16.59	16.45	16.16	6.70	7.09	8.16
18	Springfield Twp	0.000 **	16.93	15.32	13.68	29.00	28.98	29.63	12.07	13.66	15.95
19	Union Twp	0.566	13.09	11.69	9.66	19.14	19.67	13.14	6.05	7.98	3.48
20	Washington Twp	0.090	10.74	10.41	8.91	23.14	22.94	19.43	12.40	12.53	10.52
21	Wills Twp	0.436	9.81	8.67	7.77	9.80	9.90	10.32	-0.01	1.23	2.55
Outliers Trimmed											
County	OVERALL	0.002 **	13.52	12.91	11.11	15.40	15.12	11.92	1.88	2.21	0.81
1	Cass Twp	0.028 *	5.33	4.85	3.65	16.44	15.34	7.13	11.11	10.49	3.48
2	Center Twp	0.000 **	8.72	8.27	7.21	13.44	12.82	8.02	4.72	4.55	0.81
3	Clinton Twp	0.185	15.84	15.37	16.46	11.93	11.61	8.99	-3.91	-3.76	-7.47
4	Coolspring Twp	0.799	16.17	15.92	13.52	16.92	16.73	17.93	0.75	0.81	4.41
5	Dewey Twp	0.012 *	12.08	11.72	8.82	0.61	-0.80	-10.73	-11.47	-12.52	-19.55
6	Galena Twp	0.228	21.07	20.73	18.94	25.17	24.96	21.39	4.10	4.23	2.45
7	Hanna Twp	0.113	26.58	26.57	24.95	37.43	NA	37.43	10.85		12.48
8	Hudson Twp	0.416	13.52	12.59	11.64	9.57	9.22	12.12	-3.95	-3.37	0.48
9	Johnson Twp	NA	8.68	8.22	7.35	NA	NA	NA			
10	Kankakee Twp	0.005 **	7.62	6.64	4.79	12.38	12.16	10.68	4.76	5.52	5.89
11	Lincoln Twp	0.326	13.63	13.08	11.04	11.01	10.78	5.77	-2.62	-2.30	-5.27
12	Michigan Twp	0.039 *	17.02	16.55	14.78	18.35	18.39	17.21	1.33	1.84	2.43
13	New Durham Twp	0.188	15.63	15.20	14.35	16.28	16.54	16.38	0.65	1.34	2.03
14	Noble Twp	0.797	24.62	24.38	21.41	22.86	23.96	21.94	-1.76	-0.42	0.53
15	Pleasant Twp	0.281	14.94	15.05	15.40	15.06	14.67	13.22	0.12	-0.38	-2.18
16	Prairie Twp	0.222	15.45	14.58	13.40	NA	NA	NA			
17	Scipio Twp	0.000 **	9.66	9.30	7.92	16.59	16.45	16.16	6.93	7.15	8.24
18	Springfield Twp	0.000 **	14.62	14.01	12.95	25.48	25.98	27.00	10.86	11.97	14.05
19	Union Twp	0.435	12.07	11.23	9.55	10.37	9.50	9.30	-1.70	-1.73	-0.25
20	Washington Twp	0.086	10.91	10.37	8.94	23.14	22.94	19.43	12.23	12.57	10.49
21	Wills Twp	0.412	9.36	8.55	7.74	9.80	9.90	10.32	0.44	1.35	2.55

Notes: * Significant at 95% confidence level
** Significant at 99% confidence level, or higher

Table 2
Changes to Subjective Variables Between Pay 2006 and Pay 2007 for Existing Improved Parcels
By Whether or Not the Property Sold Since 1/1/2004
And the Likelihood that Different Propensities To Change Arose By Chance Alone

County		Chi-Square p-value: likelihood of same treatment	Pct of Existing Unsold Parcels with Changes	Pct of Existing Sold Parcels with Changes	Increased Likelihood of Change If Sold
	OVERALL	0.000 **	21.2	34.3	62%
	1 Cass Twp	0.159	8.3	12.3	48%
	2 Center Twp	0.000 **	14.4	29.3	103%
	3 Clinton Twp	0.000 **	13.4	34.2	155%
	4 Coolspring Twp	0.000 **	7.8	26.0	233%
	5 Dewey Twp	0.018 *	45.7	59.3	30%
	6 Galena Twp	0.000 **	1.9	13.8	626%
	7 Hanna Twp	0.000 **	3.1	17.6	468%
	8 Hudson Twp	0.000 **	4.3	17.4	305%
	9 Johnson Twp	0.119	4.2	14.3	240%
	10 Kankakee Twp	0.010 *	28.6	36.8	29%
	11 Lincoln Twp	0.030 *	61.0	59.6	-2%
	12 Michigan Twp	0.000 **	45.6	55.9	23%
	13 New Durham Twp	0.103	5.1	7.9	55%
	14 Noble Twp	0.000 **	2.7	11.0	307%
	15 Pleasant Twp	0.000 **	5.4	15.8	193%
	16 Prairie Twp	0.060	1.1	10.0	809%
	17 Scipio Twp	0.000 **	2.9	16.1	455%
	18 Springfield Twp	0.000 **	4.0	16.4	310%
	19 Union Twp	0.000 **	1.9	12.0	532%
	20 Washington Twp	0.055	9.3	16.5	77%
	21 Wills Twp	0.000 **	1.3	12.2	838%

Note: * Significant at 95% confidence level
 ** Significant at 99% confidence level, or higher
 The subjective variables included in the test were:
 a. Grade
 b. Condition
 c. Effective Age
 d. Neighborhood Quality Code
 e. Physical Depreciation
 f. Obsolescence Depreciation



Wednesday, January 30, 2008

PTABOA Meets Today

About 2,000 appeals remain from tax year 2006. It could take a year to hear all of them.

Laurie Wink

The News-Dispatch

Wednesday, January 30, 2008

LA PORTE - The La Porte County Property Tax Assessment Board of Appeals meets from 9 a.m. to 4 p.m. today - the first time it has met since Nov. 22.

Some 2,000 property tax appeals are waiting to be heard for tax year 2006, according to Judith Anderson, the county deputy assessor. She said the number sounds high but is less than 2 percent of the county's 68,000 parcels.

La Porte County Assessor Carol McDaniel told County Council President Mark Yagelski after the Jan. 7 council meeting that PTABOA meetings were not held in December because she didn't have money to pay the four board members. Each member receives \$75 per meeting.

Attorney Mark Phillips, with the La Porte law firm of Newby, Lewis, Kaminski and Jones, said the backlog of PTABOA has made it difficult for taxpayers.

"We have clients with cases pending for well more than a year," Phillips said. "They have to pay their taxes while they wait for a hearing." PTABOA member Joie Winski said 2007 board meetings before Nov. 22 were "sporadic." As a five-year board member, she said, the current list of appeals is the most filed since properties were reassessed in 2002.

Winski, a former Michigan City councilwoman, was re-appointed to the PTABOA in January by the County Comm. with Dean Uminski of Long Beach. The county council appointed Sherry Ritter-Banic and will replace Dave Scarboro to leave the board in February.

PTABOA hears and rules on tax appeals that have been filed by individual taxpayers in the county assessor's office. Each hearing is allotted 10 to 15 minutes. The board tries to hear 30 appeals at each meeting, according to Winski. Given that schedule, it could take about a year to hear all county appeals filed to date.

McDaniel serves as secretary of PTABOA and is responsible for setting meeting times and dates. Center Township Assessor Schultz questioned the policy, set by the General Assembly, to have county assessors serve on PTABOA boards.

"That's another snafu in the state law," Schultz said. "I don't think anyone involved in making that assessment should be held responsible for the judgment of them."

As of July 1, Schultz said, the General Assembly ruled property owners no longer need to have an appeal hearing with an assessor or trustee assessor. Instead, they can go directly to the county assessor's office to discuss their issues.

By visiting the township assessor or trustee assessor, many taxpayers can arrive at a solution without having to go to court, Schultz said. He resolved some 600 disputes about 2006 tax bills in his township and doesn't expect any PTABOA cases from Center Township property owners. Howard Conley, Springfield Township trustee and assessor, said he reviewed many

homeowner complaints and expects only a few to be heard by PTABOA.

"For a lot of it, we were able to correct them (errors) before bills went out," Schultz said. "We're proactive."

Anderson agrees that a lot of township assessors carefully review tax assessments with the assessor's office and try issues before they go to PTABOA. She said Terry Beckinger, Michigan Township assessor, has scheduled meetings through March. Beckinger could not be reached for comment.

"That's the normal, every-year process," Anderson said. "Certainly we make errors (in assessments) both under and over when they are brought to our attention."

She said some of the tax appeals scheduled for the PTABOA were filed by people who are frustrated by the "huge increase" they have seen, but that is an issue needing to be resolved by the General Assembly.

Taxpayers who disagree with a PTABOA ruling may file for a review by the Indiana Board of Tax Review.

Contact Laurie Wink at lwink@thenewsd Dispatch.com.

Related Links

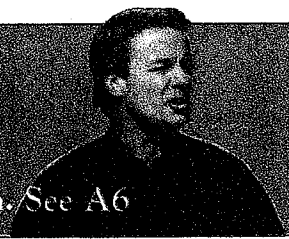
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**BOWL XLII
EW INSIDE**



**EDWARDS, GIULIANI
DROP OUT OF RACE**

Schwarzenegger to endorse McCain. See A6



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THE NEWS-DISPATCH

THURSDAY, JANUARY 31, 2008

50 CENTS

"Pathetic."

commissioner mike bohacek on the canceling of wednesday's scheduled meeting of the la porte county property tax assessment board of appeals.

Meeting canceled

■ Assessor halts assembly due to weather; several people outraged.

BY RICK A. RICHARDS

The News-Dispatch

LA PORTE — Wednesday was supposed to be the first meeting of the La Porte County Property Tax Assessment Board of Appeals since November.

It didn't happen.

Assessor Carol McDaniel canceled the meeting because of cold weather, even though board members were either at the County Complex or on their way. And at least some of the taxpayers who wanted to appeal their assessment were waiting for the meeting to begin.

"Due to the weather, for the safety of people, the attorney and I decided to cancel," McDaniel said.

Pressed about the decision, McDaniel only repeated her statement.

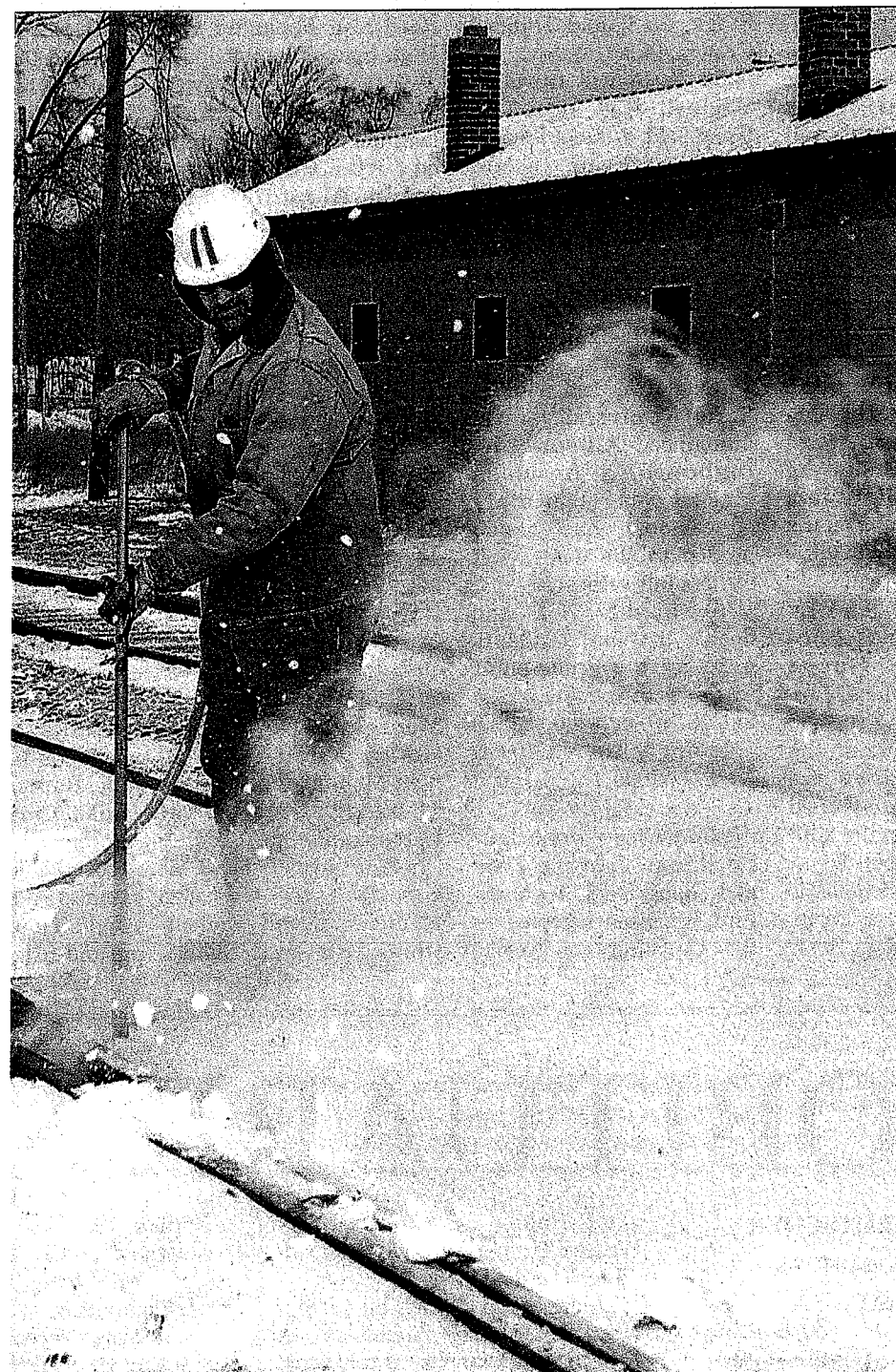
At least one taxpayer, though, had an attorney from Indianapolis present.

PTABOA attorney William Hedge said he agreed with the decision to cancel.

"That was the decision that was made. If people are upset, they can complain to the weatherman."

Please see **CANCELED**, A5

26



Canceled

CONTINUED from Page A1

Board chairwoman Joie Winski, a former Michigan City councilwoman, was angered by the decision.

She said it took her 50 minutes to drive to La Porte, but she was there for the meeting. Winski didn't know why the meeting couldn't be held.

"If I had the answer to that, I'd be a millionaire. The county assessor is the only one who can make the dates or cancel them."

Winski said she and board member Dean Uminski of Long Beach were present and other board members were on their way.

"I am as frustrated as you over this. I got up at 6 o'clock and the weather was really bad. Still, I drove there because this is important."

Winski said she and other board members told McDaniel they are willing to meet any time, including nights and weekends, to erase 2,000 property tax

appeals facing the county. The hearing canceled Wednesday were appeals from 2004 and 2005.

"With the 2,000 appeals that have been filed we should at least try to accommodate taxpayers when it's the best time for them to come," Winski said. "It's hard for people to get off work and come to these. It doesn't matter where they live. If they're a taxpayer and they disagree with their assessment they have every right to appeal."

"This is a little discouraging. We were looking forward to a new year and it's more of the same. I've already had three calls from people," Winski said.

Commissioner Mike Bohacek, D-Michiana Shores, said he was notified as he was pulling into the County Complex parking lot the meeting was canceled. He described the cancellation as "pathetic."

"These were to our oldest

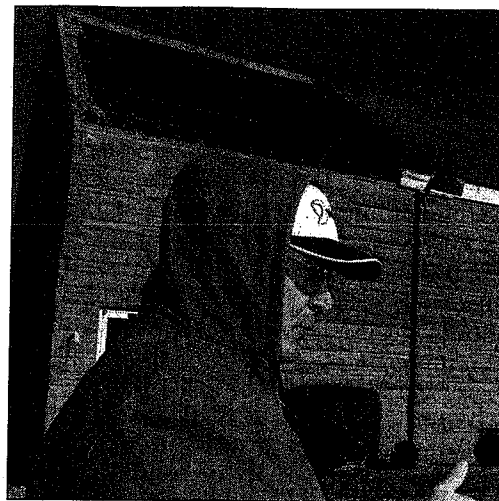
appeals. In last 13 months she's (McDaniel) scheduled four meetings and canceled two of them. The cancellation was due to weather, but county offices were open and staff was present.

"We're not giving taxpayers their due process. State statute says the meetings should be held in a timely fashion. This backlog has piled up on her watch."

Bohacek said he received calls from angry taxpayers over the cancellation. He said he checked with the Indiana Department of Local Government Finance to see if anything could be done about the cancellation but was told that all meeting decisions are at the discretion of the assessor.

"I'm concerned. It's a disservice to the taxpayers," said Bohacek. "Taxpayers deserve to be heard."

Contact Rick A. Richards
at news@henewsdispatch.com.



The Rev. Don French (left), pastor of Old Union Church parking lot the day after a wind storm damaged former church member Kevin Johnson (right), 3 from his home to see if he could help with any c

Freezing

CONTINUED from Page A1

But on Wednesday, when weather forecasters told people to stay inside and build a fire in their fireplace, people like Vrtis and South Shore Freight workers Don Hertzberg and Steve Gropp weren't so lucky.

Hertzberg and Gropp were dressed Wednesday from head-to-toe in heavy layers, blowing snow off of switch tracks near the Carroll Avenue South Shore station.

Hertzberg said he's been working on railroads for 30 years and said the blustery temperatures were offset a bit by the fact he spends most days outside instead of "sitting behind a desk."

"In the winter this is the coldest job in the world. In the summer it's the hottest," he said with a snowy smile. "But we love it out here. I'm plenty warm. I've got all these layers and long johns, so I'm all right."

The Northern Indiana Commuter Transportation District was busy dealing with the possible ramifications of the overnight snow and plunge in temperature.

Transit Police officer Sgt. Mike Huston said riders of

South Shore trains' original Bend were bus Avenue. Hust first several held to keep tl nary overhear snapping as underneath.

"We're justious," Husto don't want to l about anythin to the wires."

Vrtis said h sit at the car for basically tl sons. If anyon wash their Wednesday, h there to help, i The only wouldn't be s regular spot.

"I usually sit in this chair, winter," he said white, plastic bundled up i orange winte accompanying cap. "But not t too cold."

The cold wa the La Poi Courthouse i La Porte, wh ness was Wednesday aft

Hirsch

CONTINUED from Page A1

abilities, both contributing to his recognized mastery of both bridge and chess.

"We played bridge with (Evelyn and Joe Hirsch)," recalled Sylvia Bankoff. Sylvia and her late husband Dr. Milton Bankoff were close friends to the Hirsches.

At bridge, "They were so much better than we were," she said, and chuckled. "It was embarrassing."

Dennis recalled that his father enjoyed feeding ducks and geese on a nearby pond. "And he hand-fed a muskrat. In fact, it would tug on his trousers, looking for food." Muskrats are not known as people-friendly creatures.

"He loved nature and he never ever wanted to see an animal hurt," Dennis recalled.

A graduate of the University of Illinois, with a

"He liked people, and liked to talk to people, and we'll miss him."

ed frank

dealership bought the Lincoln-Mercury franchise.

Milt Dabagia, a salesman at the dealership, and Hirsch's close friend for 40 years, said, "He was independent, living on his own, still driving a car, and in pretty good health."

"Whatever I learned that was good about this business I learned from Joe," Dabagia said.

"His epitaph should be 'He was a good guy,'" he added. "His wife was like a sister to me, and Joe was like a brother to me. He was a very kind

Anwar Sadat, daughter of Anwar Sadat, former president of Egypt and recipient of a Nobel Peace Prize.

Ron Strauss and his wife, Bobbi, were close to Hirsch, and he remembers him as someone interested in computers when he already was beyond retirement age.

Ed Frank, a member of the Michigan City Lions Club, called Hirsch's house Wednesday to offer him a ride to the club's weekly luncheon. Dennis Hirsch answered the telephone.

"He was an amazing guy. He was a graduate engineer and started selling cars as a part-time job and that's how he got into the auto business," Frank said. "For a guy up in years, he was very sharp and knew the stock market and current events and was well read. He started an investment club at the

Rushenberg, Tim

From: Shaw Friedman [sfriedman.associates@verizon.net]
Sent: Thursday, January 31, 2008 7:02 PM
To: Elliott, Sharon
Cc: Rushenberg, Tim
Subject: Fw: PTABOA

Ms. Elliott,

Mr. Rushenberg advised me in a later email than the one below that he was not able to come to LaPorte but that you would be coming by yourself. Ms. McDaniel advises that you are presently meeting with her chief deputy.

As I indicated to Mr. Rushenberg, please feel free to contact me tomorrow morning if there are any observations you wish to share with me prior to my meeting with the County Assessor, her chief deputy and the PTABOA counsel.

Thanks, Shaw Friedman

----- Original Message -----

From: Shaw Friedman
To: Rushenberg, Tim
Cc: McDaniel, Carol L
Sent: Thursday, January 31, 2008 4:56 PM
Subject: Re: PTABOA

Tim,

I was gone all day in Indpls on matters pending before the IURC and just returned to the office.

It is currently my intention to have Carol and her chief deputy into my office tomorrow afternoon at 2 p.m. (3 p.m. your time) along with the PTABOA counsel, Bill Hedge, to discuss procedures going forward to insure that the planned *weekly* meetings occur *as scheduled* until all appeals are heard. I further plan to discuss with all present necessary form and procedures so that an orderly and full processing of appeals can occur.

I will be happy to update you after I have this meeting. Furthermore, if you wish to speak with me prior to that meeting to convey any concerns of the DLGF, I will be in my office Friday morning and can be reached at 219/326-1264.

Thanks, Shaw Friedman

----- Original Message -----

From: Rushenberg, Tim
To: Shaw Friedman
Cc: McDaniel, Carol L
Sent: Thursday, January 31, 2008 10:50 AM
Subject: PTABOA

Shaw,

The Commissioner asked me this morning to drive up to LaPorte to meet with Ms. McDaniel and our Assessment field representative, Sharon Elliott, to find out if the complaints we've been receiving about the PTABOA are accurate. My plan is to leave Indianapolis at 12:30pm (EST) and arrive in

LaPorte around 3:30pm (CST) today.

Since the County Assessor is the secretary of the PTABOA, a voting member, and has other statutory duties pertaining to the PTABOA, and the Department has the statutory duty to instruct property tax officials about their "taxation and assessment duties," we feel it is our duty to look into these allegations about the PTABOA.

Will you be able to meet me at the Assessor's office? In light of the weather situation up north, are local government offices going to be open this afternoon? I'd really appreciate your assistance on this matter.

Very Respectfully,

Timothy J. Rushenberg
General Counsel
Indiana Department of Local Government Finance
Indiana Government Center North
100 North Senate Avenue N1058(B)
Indianapolis, IN 46204
Phone: (317) 232-3777
Fax: (317) 232-8779

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Rushenberg, Tim

From: Shaw Friedman [sfriedman.associates@verizon.net]
Sent: Thursday, February 07, 2008 6:42 PM
To: Rushenberg, Tim
Subject: Re: Records Request, Sharon Elliott

Tim,

Thank you for your detailed update on the various issues I raised in my voicemail today including the assorted document requests we have filed.

Shaw

----- Original Message -----

From: Rushenberg, Tim
To: Shaw Friedman
Sent: Thursday, February 07, 2008 5:07 PM
Subject: Records Request, Sharon Elliott

Shaw,

I received your voice mail from this afternoon. Thanks for the information. We've asked Sharon Elliott to leave LaPorte County.

Your APRA request of January 27, 2008 for all of the data Mr. Denne provided to the Department (January 24th and December 27th), most if not all of which I believe he got from the Department and the County, has been placed on a CD, departed the DLGF, and is in its final review stage for compliance with APRA. I'll follow up with you next week to let you when it will be mailed to you once I get a better idea myself. We had to compile nearly 200 emails from Mr. Denne in various formats in order to organize it and burn it onto a disk. Such organizing takes time, especially with the legislature in session. I know I responded to your public records request via email within 24 hours after receiving it, and that we followed up with another email from our Public Information Officer, Brenda Summers, on February 1. As you know, there is no specific deadline for us to provide the requested data to you under APRA, only that it be fulfilled within a reasonable time. At this point, I believe we are in compliance with APRA.

Additionally, your APRA request from January 11, 2008 for data from Bartholomew, Elkhart, Floyd, Johnson, Morgan, Porter, Vanderburgh, and Vigo Counties was sent to you on January 28, 2008 in CD form. I hope you received it.

We received another APRA request on February 1, 2008 specifically requesting any post-employment waiver for Lori Harmon that the DLGF may have in its possession. Our Public Information Officer, Brenda Summers, sent a letter in response to the request on February 5, 2008 stating that no such waiver for Lori Harmon is within the possession of the Department. Also, speaking of Ms. Harmon, I need to respond to Mr. Kelly's email that he sent to me the other day that I know you were courtesy copied on. One of the issues he raised was Ms. Harmon. When I received Mr. Kelly's email on December 17, 2007, I didn't take his "I was wondering if Ms. Harmon received such a [post-employment] waiver to allow her to work on 2006 assessment issues in Laporte County" line as a request for a public record under APRA. I interpreted it as an ethics complaint. In response to his ethics complaint, on December 18, 2007, I forwarded that allegation to the appropriate state agency. I

will share all of this with Mr. Kelly in my written response to him, which will likely be sent out early next week, and to which I will send you a courtesy copy.

We believe we have everything we need to finish our data analysis, except for the county's 2006-pay-2007 auditor/tax billing data. This data was originally due to the DLGF on March 1, 2007, per IC 36-2-9-20, but was received on or about December 3, 2007. I understand our Operations Division personnel, John Clerkin in particular, has been in constant contact with Auditor Schuter to get this data compliant for both Legislative Services Agency (LSA) and DLGF. This is the last piece of data we need to finish our data analysis that we said we'd conduct in our December 21, 2007 and January 17, 2008 letters. It's been over two months since we've received the 2006-pay-2007 tax billing/Auditor data from the County and it's still not compliant with LSA and DLGF standards. Since we've received the tax billing data, we've never set a deadline for the county to get this data compliant. We have, however, set deadlines for Mr. Wendt to submit data, which he has met. Now we wait for the 2006-pay-2007 auditor/tax billing data that we said we'd analyze and create a new ratio study from in our December 21, 2007 and January 17, 2008 letters. I hope the county can get the 2006-pay-2007 tax billing data compliant soon so we can finish our data analysis, hold a meeting with both sides, and make a decision.

Lastly, Sharon Elliott did inform me that the PTABOA has a robust February schedule in order to start on its backlog of appeals; some of which I understand date back to 2004. As I stated in an earlier email to you, post-June 30, 2007 appeals to the PTABOA can be filed with the IBTR if the appeals are not heard within 180 days (IC 6-1.1-15-1). We want to help the county and the taxpayers break this logjam of appeals. If that means the DLGF has to send out letters to the post-June 30, 2007 petitioners that are passed the 180 day deadline and let them know of their IBTR petition rights, we'll do it if the county won't.

Thanks. I'll be out of the office and in Lakeville tomorrow for a funeral.

Very Respectfully,

Timothy J. Rushenberg

General Counsel

Indiana Department of Local Government Finance

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